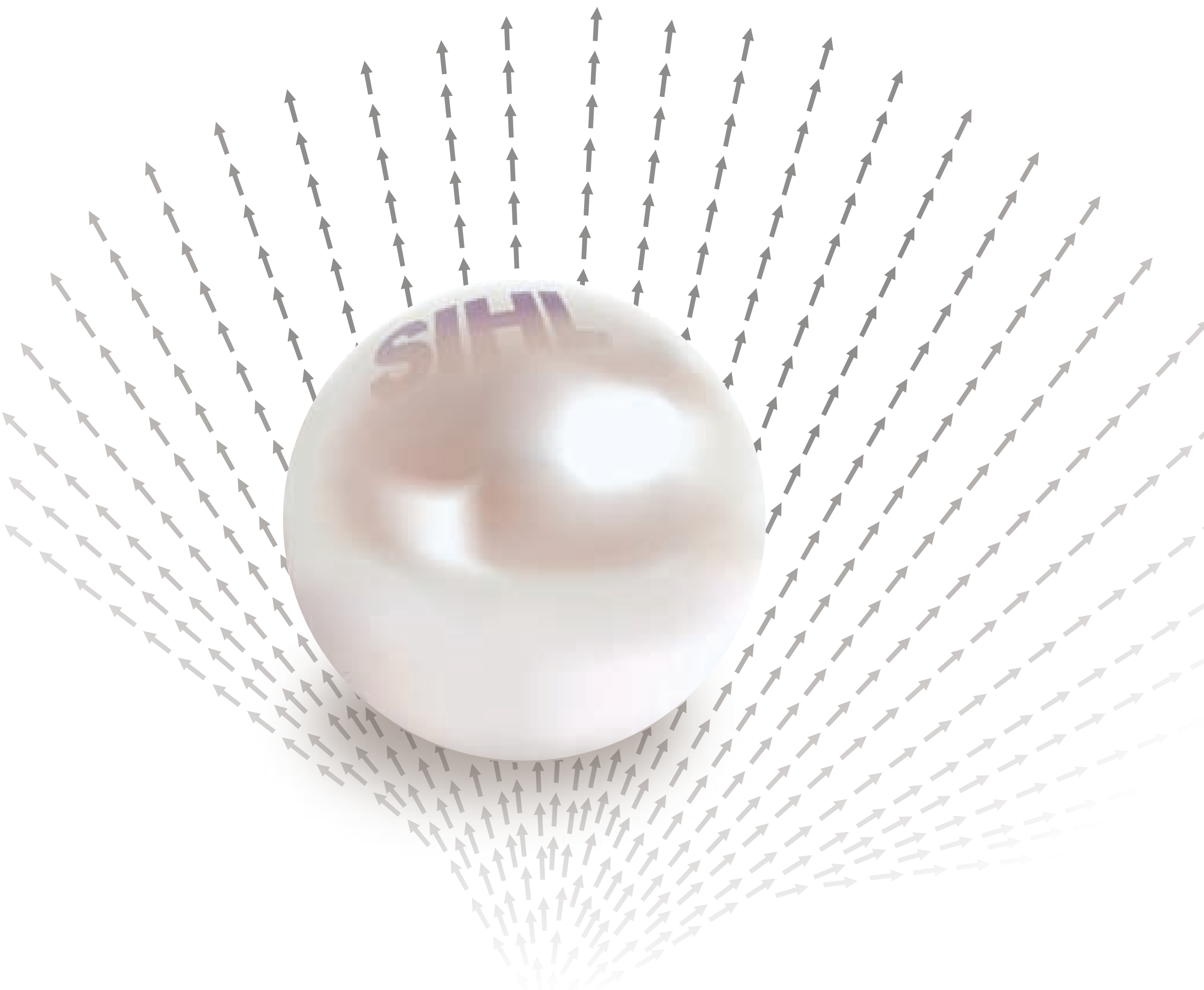
上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED
(Stock Code : 363)



SECURING STEADY GROWTH CREATING VALUE

ANNUAL REPORT 2013

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wang Wei *(Chairman)*
Mr. Zhou Jie *(Vice Chairman & Chief Executive Officer)*
Mr. Lu Shen *(Executive Deputy CEO)*
Mr. Zhou Jun *(Deputy CEO)*
Mr. Ni Jian Da *(Deputy CEO)*
Mr. Xu Bo *(Deputy CEO)*

Independent Non-Executive Directors

Dr. Lo Ka Shui
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis
Mr. Cheng Hoi Chuen, Vincent

BOARD COMMITTEES

Executive Committee

Mr. Wang Wei *(Committee Chairman)*
Mr. Zhou Jie
Mr. Lu Shen
Mr. Zhou Jun
Mr. Xu Bo

Audit Committee

Mr. Cheng Hoi Chuen, Vincent *(Committee Chairman)*
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis

Remuneration Committee

Dr. Lo Ka Shui *(Committee Chairman)*
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis
Mr. Cheng Hoi Chuen, Vincent
Mr. Li Han Sheng
Mr. Guo Fa Yong

Nomination Committee

Dr. Lo Ka Shui *(Committee Chairman)*
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis
Mr. Cheng Hoi Chuen, Vincent
Mr. Li Han Sheng
Mr. Guo Fa Yong

COMPANY SECRETARY

Mr. Yee Foo Hei

QUALIFIED ACCOUNTANT

Mr. Lee Kim Fung, Edward

AUTHORISED REPRESENTATIVES

Mr. Zhou Jie
Mr. Yee Foo Hei

REGISTERED OFFICE

26th Floor, Harcourt House,
39 Gloucester Road, Wanchai, Hong Kong

COMPANY STOCK CODE

Stock Exchange	:	363
Bloomberg	:	363 HK
Reuters	:	0363.HK
ADR	:	SGHIY

COMPANY WEBSITE

www.sihl.com.hk

AUDITOR

Deloitte Touche Tohmatsu

ADR DEPOSITORY BANK

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BNY Mellon Shareowner Services
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INFORMATION FOR SHAREHOLDERS

SHAREHOLDER ENQUIRIES

Company Contact Details

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Company Secretarial

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Investor Relations

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Share Registrar

Tricor Secretaries Limited

Address	:	22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
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Facsimile	:	(852) 2861 1465

Our Website

Press releases and other information of the Group can be found at our website: www.sihl.com.hk.

DIVIDEND

Proposed 2013 final dividend of HK45 cents (2012: HK58 cents) per share will be paid to shareholders on or about Friday, 13 June 2014 subject to shareholders' approval.

Subject to approval by shareholders of the final dividend and together with the 2013 interim dividend of HK42 cents (2012: HK50 cents) per share paid during the year, total dividends for the year amounts to HK87 cents (2012: HK108 cents) per share.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the annual general meeting, the register of members of the Company will be closed on Tuesday, 27 May 2014, no transfer of shares will be effected on that day. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar by 4:30 p.m. on Monday, 26 May 2014.

For the purpose of determining shareholders' entitlement to the final dividend, the register of members of the Company will be closed on Wednesday, 4 June 2014, no transfer of shares will be effected on that day. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar by 4:30 p.m. on Tuesday, 3 June 2014.

FINANCIAL CALENDAR

2013 interim results announced	29 August 2013
2013 final results announced	31 March 2014
Despatch of 2013 annual report	on or about 15 April 2014
2014 annual general meeting	28 May 2014
Ex-dividend date for 2013 final dividend	30 May 2014
Record date for 2013 final dividend	4 June 2014
Despatch of notice of 2013 final dividend	on or about 13 June 2014

SIGNIFICANT PROFIT GROWTH ACHIEVED WITH STRINGENT MANAGEMENT CONTROL

I am pleased to report to our shareholders our results for 2013.

Despite the slow recovery in the global economy and a decline in China's economic growth as well as stricter policies in the mainland on domestic real estates and toll road operations, the Group has managed to reach its strategic targets through sound management and more stringent internal controls. During the year, the Group has made a concerted effort, under the leadership of the Board of Directors and our management executives, to overcome difficulties and seized timely opportunities for deploying capital operation, resulting in the completion of a number of significant projects. As a result, steady and sustainable growth has been maintained for the Group's core businesses and significant increases in operating revenue were recorded. During the year, transitions for the Board members were completed smoothly. Remarkable results for various major tasks were also achieved and annual targets for the year were met.

For the year ended 31 December 2013, the Group realized net profits of HK$2,702 million, representing an increase of 17.2%, after excluding disposal gains from the disposal of lot G of the Qingpu District in Shanghai last year. Total revenue amounted to HK$21,568 million, representing a year-on-year increase of 11.8%.

Wang Wei
Chairman

The Board of Directors has recommended a final dividend of HK45 cents (2012: HK58 cents) per share for 2013. Together with the interim dividend of HK42 cents (2012: HK50 cents) per share paid during the year, total dividends for the year amounted to HK87 cents (2012: HK108 cents) per share.

Throughout the year, the Group continued to maintain a favorable momentum for its three core businesses. Of this, the toll roads business recorded growth in revenue and generated a strong cash flow for the Group with further enhancements in management despite the impact of toll policies. In line with its plans, the water services business continued to expand the scale of its operations rapidly through efficient capital operation and integration and upgrades of assets and business. The infrastructure facilities business recorded earnings of HK$1,015 million, representing a year-on-year increase of 3.8%.

The real estate business realized a net profit of HK$738 million, representing an increase of 22.0%, after excluding the gains from disposal of lot G of the Qingpu District in Shanghai in the last financial year. In 2013, in line with their strategic targets, SI Urban Development and SI Development, revitalized their assets and speeded up property development generating a considerable revenue.

The consumer products business continued to grow steadily with a net profit reaching HK$1,001 million for the year, representing a year-on-year increase of 2.8%. Strategies to upgrade products and adjust product mix were actively implemented by Nanyang Tobacco and efforts were made to explore the potential of its products and the market. The transition of the board members and management team for Wing Fat Printing was completed smoothly. The company's asset structure was improved and its internal control was enhanced. Timely strategic mergers and acquisitions for assets and business were also made to broaden its sources of revenue.

Capitalizing on an excellent market opportunity that cropped up within a short period in early 2013, the Company completed the issuance of HK$3.9 billion of zero coupon 5-year convertible bonds in relatively favourable terms with a conversion price of HK$36.34 per share. This has provided the Group with a low cost capital for its business development.

STEADY GROWTH RECORDED IN INFRASTRUCTURE BUSINESS AND OPERATIONS MANAGEMENT CONTINUES TO STRENGTHEN

With strong management initiatives, the Group continued to record profits after tax and achieved steady growth in traffic flow and toll revenue for its three quality expressways despite impacts on toll policies, and a strong cash flow was maintained during the year. Increases in toll revenue and traffic flow were driven by respective increases in the total number of private cars as well as shopping venues and residential districts nearby. The operation and management of the expressways were further improved and better road maintenance and monitoring were introduced to ensure smooth traffic flow and enhance operational efficiency. Capitalizing on such opportunities, the Group will continue to expand the scale of its investments in the toll roads business in order to strengthen the profitability of its core businesses.

The scale of the Group's water assets has also expanded rapidly. During the year, SI Environment acquired the phase 2 sewage treatment plant in Qingpu, Shanghai, a 100% interest in the waste incineration power project in Dazhou Jiajin and a 50% interest in the waste incineration project of Pucheng Thermal Power with a planned capacity of 1,050 tonnes and 1,000 tonnes respectively, apart from the BOT and alternation and expansion projects newly bidded and acquired. The placement of a of 3.1 billion new shares with proceeds of S$263.50 million was completed following the listing of the company on the Main Board of the Singapore Stock Exchange, and reputable strategic investors including China Investment Corporation and RRJ Capital were introduced. Taking into account contributions from SI Environment and General Water of China, the Group has been able to strengthen its overall production and operation of its water business, reaching a total daily operating capacity of up to 9.60 million tones as at the end of 2013. The Group will further expand the assets of its environmental investment and enhance its overall operational capability and market competitiveness.

The Group has also invested in new business arena through Shanghai Galaxy, a 50:50 joint venture with SIIC Shanghai. During the year, Shanghai Galaxy has made investments in the Gaotai and Jiayuguan photovoltaic power station (150MW in total) in cooperation with Shanghai Aerospace Electromechanical and acquired interests in Pudong Construction as well as a finance and leasing company and the Sichuan development property fund. With this, new scope of investments is actively explored.

REAL ESTATE RESOURCES EFFECTIVELY DEPLOYED RESULTING IN A SIGNIFICANT INCREASE IN REVENUE CONTRIBUTIONS

In 2013, SI Urban Development reached a land adjustment agreement with Shanghai Xuhui District Planning and Land Administration Bureau for the swapping of its existing site originally designated for the development of Xujiahui Centre for four other pieces of land in Binjiang, Xuhui District. The entry into the agreement has laid a strong foundation for the long term development of the company. In June 2013, SI Urban Development disposed of its 25% interest in the U Center project for RMB1.175 billion, with a profit after tax of HK$737 million.

During the year, SI Development and Parkson Group entered into an agreement to undertake the construction work of the Parkson Shopping Mall in Qingdao International Beer City, with a view to increase the value of the project.

In late 2013 and January this year, the Company and SI Development entered into respective transfer agreements with Shanghai City Land Group and its subsidiary to dispose of their entire interest in lot E of the Qingpu District. The transactions were completed in the first quarter of 2014 and to generate a profit of approximately HK$1.2 billion.

Currently, the Group owns superior quality land resources in Shanghai as well as second and third tier cities in the coastal regions of eastern China and along the Yangtze River, the Yangtze River Delta, the Bohai Rim and central and western China. Capitalizing on the relatively low-cost land resources and remarkable management and operations teams, the Group's real estate business has demonstrated considerable potential for appreciation and profitability.

ENHANCING MARKETING EFFORTS TO PROMOTE CONSUMER PRODUCTS AND DEVELOPING NEW MARKETS TO CREATE GREATER BENEFITS

In line with its strategies, Nanyang Tobacco continued to upgrade its products and adjust its product mix. Continuous efforts have been made to upgrade equipment and technology to further reduce cost, increase production capacity for exquisite products, enhance efficiency and develop new markets, thereby achieving steady growth in profit.

Wing Fat Printing has been actively studying the feasibility of entering the pulp mould packaging industry through mergers and acquisitions in order to seek breakthroughs in business development and broaden its sources of profit.

PROSPECTS

Looking forward to 2014, given the unfavorable environment in both domestic and international economies and more stringent regulatory policies in the mainland, the Group is committed to strengthen its current core businesses and focus on its key projects.

We will expand the scale of our investments in the infrastructure facilities business. In this regard, SI Environment will explore different financing alternatives to better balance its source of financing. The company will speed up its expansion plans in accordance with its strategic goals and further strengthen its operations to enhance competitiveness. We will also acquire favourable projects for toll roads to enhance the profitability of our core business.

For the real estate business, we will make greater efforts to review our business development strategies so as to increase our sales and revitalize our assets. We will manage to optimize our asset and financial structures and strengthen our brand building exercise in order to create a competitive business model that will help generate a higher return through capitalizing on the strength of the integrated development capability of our respective subsidiaries.

In the area of our consumer products business, we will strengthen our management and improve our operational efficiency in order to sustain our growth. At the same time, we will further explore the potential of our products in the overseas markets. We will also identify suitable targets for mergers and acquisitions so as to achieve new areas for profit growth and to facilitate sustainable development in the business segment.

On behalf of the Board of Directors, I wish to thank our shareholders and business partners for their continued patronage and support to the Group, and extend my sincere gratitude to our management team and staff members for their dedication and contributions in the development of our business.

Wang Wei
Chairman

Hong Kong, 31 March 2014

GROUP BUSINESS STRUCTURE

As at 31 March 2014

Infrastructure Facilities

Business	Interests held by the Group	Company name	Principal business
Toll roads	100%	Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.	Operation of Jing-Hu Expressway (Shanghai Section)
	100%	Shanghai Luqiao Development Co., Ltd.	Operation of Hu-Kun Expressway (Shanghai Section)
	100%	Shanghai Shen-Yu Development Co., Ltd.	Operation of Hu-Yu Expressway (Shanghai Section)
Water services	46.72%	SIIC Environment Holdings Ltd. (5GB SGX)	Water supply and sewage treatment
	47.50% (Note)	General Water of China Co., Ltd.	Water supply and sewage treatment

Real Estate

Business	Interests held by the Group	Company name	Principal business
Real estate	69.95%	Shanghai Industrial Urban Development Group Limited (563 HKSE)	Property development and investment
	63.65%	Shanghai Industrial Development Co., Ltd. (600748 SSE)	Property development and investment
	81.46%	Shanghai Lake City Co., Ltd.	Property development and investment
	81.46%	Shanghai Feng Ze Property Company Limited	Property development and investment
	81.46%	Shanghai Feng Mao Property Company Limited	Property development and investment
	10%	Shanghai Feng Tao Property Company Limited	Property development and investment
	10%	Shanghai Feng Shun Property Company Limited	Property development and investment

Consumer Products

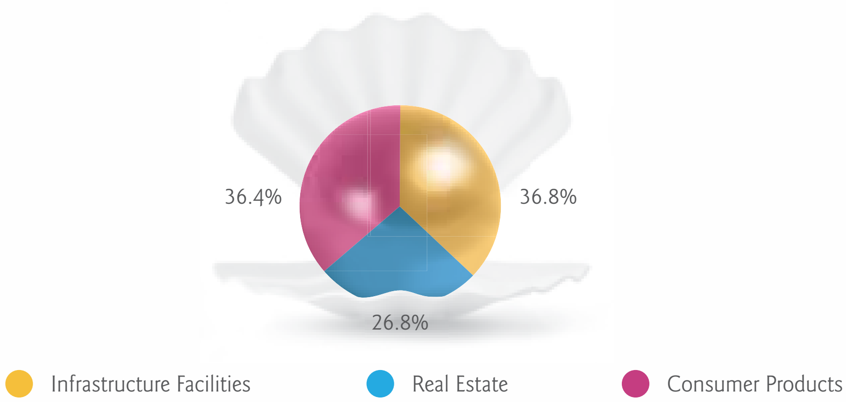
Business	Interests held by the Group	Company name	Principal business
Tobacco	100%	Nanyang Brothers Tobacco Company, Limited	Manufacture and sale of cigarettes
Printing	93.47%	The Wing Fat Printing Company, Limited	Manufacture and sale of packaging materials and printed products

Note: Upon completion of the capital injection of General Water of China, the shareholding of the Group will be adjusted to 45%.

For the year ended 31 December 2013, the Group recorded a revenue of HK$21,568 million, representing a 11.8% increase over the previous year. Steady progress was made for the Group's core businesses and the targets for the year's defined strategies were reached. Profits attributable to shareholders amounted to HK$2,702 million, representing an increase of 17.2%, after excluding gains that arose from the disposal of lot G of the Qingpu District in Shanghai recorded in last financial year.

Capitalizing on favorable market opportunities in early 2013, the Company completed the issuance of HK$3.9 billion five-year zero coupon convertible bonds, creating a favorable financial position for the Group with low cost capital.

Profit contributions from the Group's core business



INFRASTRUCTURE FACILITIES

The infrastructure facilities business recorded net profits of HK$1,015 million, representing an increase of 3.8% over last year and accounting for 36.8% of the Group's Net Business Profit. During the period, steady growth and a continued rise in profits were seen in its toll roads business. Investments in the water services business have been significantly increased and efforts were made to speed up consolidation. Looking forward, the Group will continue to expand the water services business through mergers and acquisitions, and will increase its investment in clean energy in order to seek new areas for profit growth.

Toll Roads

Arrangements to cater for toll exemptions for small passenger cars for the Group's three toll roads have been duly made during the four major holidays including Lunar New Year, Ching Ming Festival, International Workers' Day and National Day. Benefitting from the vibrant growth in the community and increases in traffic flow as well as the rising number of short distance vehicles entering from tourist spots nearby, continued growth in toll revenue and traffic flow has been recorded, despite the exemption policy that has affected the Group's toll road business. The key operating figures are as follows:

Tolls roads	Net profit from project company	Changes	Toll revenue	Changes	Traffic flow (vehicle journeys)	Changes
Jing-Hu Expressway (Shanghai Section)	HK$338 million	+3.5%	HK$653 million	+9.5%	40.1861 million	+11.0%
Hu-Kun Expressway (Shanghai Section)	HK$371 million	+1.6%	HK$940 million	+7.7%	43.5213 million	+10.8%
Hu-Yu Expressway (Shanghai Section)	HK$158 million	-8.2%	HK$504 million	+10.4%	34.6099 million	+11.4%

Toll collection at the Jing-Hu Expressway (Shanghai Section) has become increasingly efficient. Average road capacity per hour at the main toll collection stations in Jiangqiao and Anting during peak hours increased 6.52% and 4.11% respectively. During the year, various measures for preventing traffic congestions were implemented. For instance, the prevention work at the G2 Jiasong station completed during the year has effectively reduced traffic congestions in the main collection station. This year, the Group will make due preparation for fee collection management during the extension work that connects the Jiamin Elevated Expressway (North Section) and Jing-Hu Expressway (Shanghai Section).

Toll revenue and traffic flow for the Hu-Kun Expressway (Shanghai Section) increased throughout the year. In 2013, through increasing and altering Electronic Toll Collection (ETC) highways, strengthening contingency measures and on-site supervision, toll collection has been significantly improved and congestions during toll-free periods were properly addressed. Toll revenue and traffic flow reached record high in the same period over the past years. During the year, Luqiao Development successfully obtained tax benefits which lowered its financial cost accordingly.

Hu-Yu Expressway (Shanghai Section) maintained its growth in toll revenue and traffic flow in 2013. Efficiency in toll collection has been enhanced following related contests held to motivate toll collectors. The average road capacity per hour at the exit lanes at Xujing toll station during peak hours increased by 9.62%. The alteration project of the G50 Jiasong toll station commenced in August 2013, during which traffic and toll collection remained in good order. The alteration work was basically completed at the end of 2013.

Water Services

The Group's water services sector has been expanding rapidly as its businesses continued to consolidate. The sector is expanding both its scale of investments as well as its geographical coverage and is positioning itself as a nationwide company. Currently, the Group is more focused in densely populated regions in the eastern area, while eastern, central and northern China continued to be the core regions for investment. Suitable water treatment projects will continue to be identified.

SI Environment

SI Environment recorded a revenue and profit after tax of RMB1,214 million and RMB150 million, rising 51% and 15% year-on-year respectively. The increase in profit was mainly due to the consolidation of accounts of Nanfang Water since the second quarter of the previous financial year. During the year, SI Environment issued further consideration shares to the vendor in relation to the acquisition of 69.378% interests in Nanfang Water upon the vendor's fulfillment of relevant conditions precedent in the acquisition agreement. Such consideration shares represented approximately 7.9% of SI Environment's then enlarged capital. During the year, SI Environment's equity interest in Nanfang Water was increased to 76.419% through transfers of shares and capital injection.

The placement of shares for SI Environment took place in October with the allotment and issuance of an aggregate of 3.1 billion new ordinary shares to the placees (including globally renowned institutional investors) at an issue price of S$0.085 per share, amounting to S$263.5 million. The Company's subsidiary subscribed for 1.25 billion new shares, and the Group's shareholding was diluted from 50.33% to 46.72%. SI Environment remained a subsidiary of the Company and continues to be consolidated in the accounts of the Company. The placing of shares was completed at the end of 2013. Apart from enlarging the working capital of SI Environment by the net proceeds to support its business expansion, the placement of shares was also in line with the Group's strategic target to expand its infrastructure business.

In September and December 2013, SI Environment acquired 70% and the remaining 30% equity interest in Shanghai Qingpu Second Sewage Treatment Plant respectively from third parties through open bidding process in the SUAEE and by way of transfer of shares. The aggregate consideration of the two transactions amounted to approximately RMB180 million. The transactions were completed in February 2014, reflecting the entry of SI Environment's clean energy business into the Shanghai market. In addition, SI Environment further acquired from independent third parties a 50% interest in Pucheng Thermal Power and 100% interest in Dazhou Jiajin for RMB530 million and RMB119 million respectively which represented two waste incineration and sewage treatment projects newly acquired by SI Environment, tripling the company's solid waste treatment capacity. The transactions were completed in January and February 2014 respectively. During the year, SI Environment undertook the upgrading and alteration project of the sewage treatment project in Hanxi. Upon completion, the daily operating capacity of the Hanxi sewage treatment plant will increase from 400,000 tonnes to 600,000 tonnes.

General Water of China

General Water of China recorded a revenue of HK$1,577 million for the year of 2013, representing a decline of 1.25% year-on-year. Net profit increased by 28.6% to HK$56.23 million. As at the end of 2013, the company owned 23 water supply facilities and 19 sewage treatment plants as well as two reservoirs with a gross storage tank volume of 182.32 million tonnes and a pipe network of 4,800 kilometers in total. Daily production capacity totaled 5,509,000 tonnes. General Water of China has been awarded the 'Top 10 Most Influential Enterprises in China's Water Industry' for the consecutive 11th year. In 2014, the company will strive to accelerate its expansion plans, optimize its profit making strategies and explore further financing channels to enhance the core competitiveness of the company.

In October, the Company and CECEP Group, another shareholder of General Water of China, entered into a strategic cooperation agreement to capitalize on the advantages between the two parties and to jointly explore the water market of China as well as to resolve the problem of non-competition. Pursuant to the agreement, CECEP Group shall make a unilateral capital contribution into General Water of China. The capital contribution is now close to completion. CECEP Group and the Group will then own 55% and 45% of General Water of China respectively. Furthermore, CECEP HK, CECEP Group's wholly-owned subsidiary (and SI Environment's second largest shareholder), subscribed for 350 million placing shares of SI Environment and holds 13.02% of the enlarged capital of SI Environment.

During the year, General Water of China obtained the franchise for the Bengbu sewage treatment projects (including sewage treatment plants numbered 2, 3 and 4 in Bengbu) with a daily operating capacity of 350,000 tonnes and the sewage treatment project in eastern Wenzhou which included a technical alteration project with a daily operating capacity of 100,000 tonnes in phase 1 and an extension project with a daily operating capacity of 50,000 tonnes in phase 2. The 240t/d central sludge drying and incineration project in Wenzhou, representing the first semi-central sludge drying and incineration treatment business in China, was under pilot operation. During the period, water supply project in Suifenhe city, Wuhua Mountain reservoir project and construction work for water plant numbered 3 progressed smoothly. Wuhua Mountain reservoir has commenced operation.

Details of the water development projects of the Group as at 31 December 2013 are as follows:

	Province	Projects of SI Environment	Project type	Daily production capacity (tonnes)	Interests attributable to SI Environment	Project progress
1	Fujian	Sewage treatment plant BOT project in Longmen Town, Anxi, Quanzhou	Sewage treatment	25,000	76.419%	• Construction of Phase I project was completed, and is in trial operation. • Phase II project has yet to commence construction.
2	Guangdong	Sewage treatment plant BOT project in Dalang, Donguan	Sewage treatment	100,000	75.5%	The project is in operation.
3	Guangdong	Water purification center Phase I, Phase II TOT and BOT franchise projects; water purification center Phase I and Phase II deep processing projects in Meihu, Huizhou	Sewage treatment	200,000	76.419%	The project is in operation.
4	Guangdong	Fuyong sewage treatment plants BOT franchise projects in Longgang District, Shenzhen	Sewage treatment	280,000	76.419%	The project is in operation.
5	Guangdong	Water recycling plant project in Henggang, Shenzhen	Reclaimed water treatment	50,000	76.419%	• Phase I project is in operation. • Phase II project has yet to commence operation.
6	Guangdong	Sewage treatment plant project in Banxuegang, Shenzhen	Sewage treatment	40,000	76.419%	The project is in operation.

	Province	Projects of SI Environment (continued)	Project type	Daily production capacity (tonnes)	Interests attributable to SI Environment	Project progress
7	Guangdong	Sewage treatment plant project in Guanlan, Shenzhen	Sewage treatment	260,000	45.851%	The project is in operation.
8	Guangdong	Sewage treatment contingency works entrustment project in Guanlan River, Shenzhen	Sewage treatment	400,000	45.851%	The project is in operation.
9	Guangdong	City sewage treatment plant TOT project in Wuchuan, Zhanjiang	Sewage treatment	40,000	76.419%	The project is in operation.
10	Guangxi	Sewage treatment plant BOT project in Beiliu	Sewage treatment	40,000	75.5%	The project is in operation.
11	Henan	Sewage treatment plant BOT project in Dongcheng District, Luohe	Sewage treatment	20,000	75.5%	The project is in operation.
12	Hubei	Sewage treatment project in Huangshi	Sewage treatment	125,000	100%	The project is in operation.
13	Hubei	Water supply project in Tianmen	Water supply	150,000	100%	The project is in operation.
14	Hubei	Water supply project in Xinnong, Tianmen	Water supply	Not applicable	70%	The project is in operation.
15	Hubei	Sewage treatment project in Hanxi, Wuhan	Sewage treatment	400,000	80%	The project is in operation.
16	Hubei	Water supply project in Huangpi, Wuhan	Water supply	260,000	100%	The project is in operation.
17	Hubei	Sewage treatment project in Qianchuan, Wuhan	Sewage treatment	30,000	100%	The project is in operation.
18	Hubei	Sewage treatment project in Panlong, Wuhan	Sewage treatment	22,500	100%	The project is in operation.
19	Hubei	Sewage treatment project in the Wuhan City Economic Zone	Sewage treatment	60,000	100%	The project is in operation.
20	Hunan	Sewage treatment BOT project in Linwu, Chenzhou	Sewage treatment	10,000	15.284%	The project is in operation.
21	Hunan	Sewage treatment project in Chenzhou	Sewage treatment	120,000	76.419%	The project is in operation.
22	Hunan	Sewage treatment plant BOT project in Taohuajiang, Taojiang	Sewage treatment	20,000	75.5%	The project is in operation.
23	Hunan	Sewage treatment plant BOT project in the new zone of eastern Gaoxin District, Yiyang	Sewage treatment	30,000	75.5%	The project is in operation.
24	Hunan	Sewage treatment plant BOT project in northern Yiyang	Sewage treatment	40,000	75.5%	The project is in operation.
25	Jiangsu	Sewage treatment franchise and sewage treatment plant BOT project at Newport Park, Jingjiang	Sewage treatment	80,000	76.419%	• Phase I project is in operation. • Construction of phase II project has yet to commence.
26	Jiangsu	Sewage treatment plant project in southern Shuyang	Sewage treatment	60,000	76.419%	• Phase I project is in operation. • Construction of phase II project has yet to commence.
27	Jiangsu	Sewage treatment plant franchise project in Huangqiao, Taixing	Sewage treatment	50,000	76.419%	• Phase I project is in operation. • Construction of phase II project has yet to commence.
28	Jiangsu	Sewage treatment plant BOT project at Environment Protection Industry Park, Yancheng	Sewage treatment	30,000	53.493%	• Construction of the project is yet to commence.
29	Liaoning	Sewage treatment plant in Sanshili Town, sewage treatment plant in Houhai, and sewage treatment plant BOT project in Liujia, Puwan New Area, Dalian	Sewage treatment	50,000	70%	The project is under construction.

	Province	Projects of SI Environment (continued)	Project type	Daily production capacity (tonnes)	Interests attributable to SI Environment	Project progress
30	Shandong	Sewage treatment plant TOT project in Dezhou	Sewage treatment	100,000	75.5%	The project is in operation.
31	Shandong	Sewage treatment plant BOT project in western Weifang	Sewage treatment	40,000	75.5%	The project is in operation.
32	Shandong	Sewage treatment plant BOT project in Weifang City High Technology Industrial Development District	Sewage treatment	50,000	75.5%	The project is in operation.
33	Shandong	Water supply project in Hanting District, Weifang	Water supply	60,000	26.183%	The project is in operation.
34	Shandong	Sewage treatment plant reclaimed water treatment project in Weifang	Reclaimed water treatment	35,000	75.5%	The project is in operation.
35	Shandong	Sewage treatment plant TOT project in Weifang	Sewage treatment	100,000	75.5%	The project is in operation.
36	Shandong	Water supply project in Weifang	Water supply	320,000	51.34%	The project is in operation.
37	Shandong	Sewage treatment plant franchise project in Shanting District, Zaozhuang	Sewage treatment	20,000	75.5%	The project is in operation.
38	Shandong	Sewage treatment plant TOT+ BOT project in Yicheng District, Zaozhuang	Sewage treatment	40,000	75.5%	The project is in operation.
39	Shandong	Sewage treatment plant relocation and extension project in Weifang	Sewage treatment	200,000	75.5%	The project is under construction.
40	Shanxi	Water supply project in Lvliang	Water supply	55,000	100%	The project is in operation.
41	Yunnan	Sewage treatment recycling plant project in Nijiaying Community, Kunming Economic and Technological Development Zone	Sewage treatment, reclaimed water treatment	70,000	39.738%	• Sewage treatment project is in operation. • Construction of reclaimed water treatment project has yet to commence.
42	Zhejiang	Sewage treatment project in Taizhou	Sewage treatment	12,500	100%	The project is in operation.
Total (projects of water services)				**4,095,000**		
43	Shandong	Waste incineration power generation BOT project in Wenling	Solid waste power generation	1,100	50%	Existing planned daily operating capacity of the project is 700 tonnes, and the project is under expansion. Upon completion of which, the total planned daily operating capacity will be 1,100 tonnes.
Total (project of energy)				**1,100**		

	Province	Projects of General Water of China	Project type	Daily production capacity (tonnes)	Interests attributable to General Water of China	Project progress
1	Anhui	Water supply project in Bengbu	Water supply	430,000	60%	The project is in operation.
2	Anhui	Phases II, III and IV of sewage treatment plant project in Bengbu	Sewage treatment	350,000	100%	• The project company was established in May 2013. • The project is in operation.
3	Fujian	Sewage treatment project in Xiamen	Sewage treatment	834,000	55%	The project is in operation.
4	Fujian	Water generation project in Xiamen	Water generating	1,155,000	45%	The project is in operation.
5	Guangdong	Sewage treatment plant project in Longhua, Shenzhen	Sewage treatment	150,000	90%	The project is in operation.
6	Heilongjiang	City sewage treatment project in Suifenhe	Sewage treatment	20,000	100%	The project is in operation.
7	Heilongjiang	Wuhua mountain reservoir project and water supply project in Suifenhe	Water supply	195,000	100%	• Phase I of the water supply project is in operation. • The Wuhua mountain reservoir project commenced construction in 2010. • The completion ceremony was held in December 2013. • The water supply project of the third water treatment plant started construction in 2011.
8	Hubei	Water supply project in Xiangyang	Water supply	1,000,000	50%	The project is in operation.
9	Hunan	Water supply project in Xiangtan	Water supply	425,000	70%	The project is in operation.
10	Hunan	Sewage treatment project in river east of Xiangtan	Sewage treatment	100,000	100%	The project is in operation.
11	Shaanxi	Water generation project in Xianyang	Water generating	300,000	100%	The project is estimated to commence in 2014.
12	Zhejiang	Project on reservoir and water induction works in Tiger Lake, Huzhou	Water supply	200,000	100%	The project is in operation.
13	Zhejiang	Sewage treatment project in the new district of eastern Huzhou	Sewage treatment	50,000	100%	The project is in operation.
14	Zhejiang	Sewage treatment project in eastern Wenzhou	Sewage treatment	100,000	100%	The project is in operation.
15	Zhejiang	Sewage treatment project in central Wenzhou	Sewage treatment	200,000	70%	The project is in operation.
Total (projects of water services)				**5,509,000**		

Investment in New Business Arena

While strengthening its core businesses and focusing on major projects, the Group has also resorted to investments in new business arena with innovative concepts and business models in order to explore new profit growth, optimize its asset structure and improve its core competitiveness and profitability.

During the year, Shanghai Galaxy, of which Hu-Ning Expressway and SIIC Shanghai each owns 50%, entered into a number of cooperation agreements for the acquisition of a 50MW photovoltaic power station in Gaotai, Gansu province and a 100MW project in Jiayuguan. The total annual power generation and total investment of the two projects are expected to reach 230.74 million kWh and RMB1.66 billion respectively. These projects are expected to bring in a steady revenue and new profit sources for the Group's infrastructure business. The two shareholders of Shanghai Galaxy also made capital injections twice into the company, amounting to RMB200 million each, with a view to support its business development. In addition, the Group also actively invested in new businesses, including acquiring the equity interest in Pudong Construction and investing in a finance company and the Sichuen development fund.

REAL ESTATE

In 2013, the real estate business of the Group recorded a profit of HK$738 million, dropping 57.5% year-on-year and accounting for approximately 26.8% of the Net Business Profit of the Group. The decline was mainly due to a relatively large gain recorded from the disposal of lot G of the Qingpu District in Shanghai in the last financial year. During the year, the Group continued to adopt a more refined development strategy for its real estate business, foster closer links and enhanced synergy between its subsidiaries. The Group is currently speeding up its project development and is trying to unfold the actual values of our projects and assets through various channels.

In November 2013, the Company entered into a share transfer agreement for the disposal of its 49% interests in lot E of the Qingpu District in Shanghai to a subsidiary of Shanghai City Land Group for a consideration of RMB821 million. The remaining 51% interest of the land lot was disposed of by SI Development, a subsidiary of the Company, whose A shares are listed, to Shanghai City Land Group by two separate transactions through an open listing process on the SUAEE in January 2014. The profit after tax arising from the entire transaction, expected to be approximately HK$1.2 billion, will be credited in the first half of 2014. The transaction has enabled the Group to reap a profit and generate cash flow, speed up revenue income and lower its debt ratio. In addition, the Group obtained extra working capital for mergers and acquisitions for its core business which in turn has enhanced its profitability and overall return on capital.

SI Urban Development

In 2013, SI Urban Development made a turnaround from a loss of HK$190 million last year to a profit attributable to shareholders of HK$143 million this year. The increase in profit was mainly due to increases in the delivery of properties and higher revenues recorded from projects, as well as the disposal of a 25% interest in the U Center project in June 2013 (for a total consideration of approximately RMB1,175 million) resulting in a profit after tax of approximately HK$737 million. In addition, SI Urban Development reached an agreement with the government of Xuhui District in May to swap its existing site for the development of Xujiahui Centre (approximately 35,343 square meters) for four other pieces of land in Binjiang, Xuhui District, Shanghai (approximately 77,371 square meters), instead of having interest in only one of the six pieces of land in the Xujiahui Centre project. The transaction will enable the company to allocate resources more effectively and ensure smooth development of the project that is closely in line with its overall future strategy. This also helps to unlock the potential value of some of its projects as well as assets and further speed up their development.

In 2013, SI Urban Development achieved contractual sales amounting to RMB6,609 million, mainly deriving from Urban Cradle, Jingjie Yuan, Shanghai Jing City in Shanghai and CBE International Peninsula in Xi'an. During the year, property sales revenue and delivered area was HK$9,344 million and 814,000 square meters respectively. These include Urban Cradle, Jingjie Yuan, Shanghai Youth City in Shanghai and CBE International Peninsula in Xi'an. Total rental revenue for the year was HK$253 million. Total area under construction during the year was approximately 262,000 square meters, mainly covering CBE International Peninsula in Xi'an and Shanghai Jing City, Urban Cradle in Shanghai.

SI Development

In 2013, SI Development recorded a revenue of RMB3,905 million, representing an increase of 6.49% year-on-year. Net profits attributable to shareholders amounted to RMB435 million, decreased by 31.89% year-on-year. The decline was mainly due to a relative large gain recorded for disposing the Tangdao Bay project during the last financial year. Sales revenue for the year amounted to RMB3,644 million. In respect of sales for residential properties, the company has adopted a "fast, accurate and pragmatic" marketing strategy to strengthen sales procedures and closely monitor target for contractual sums received. As for the major projects, including Rhine Town in Tianjin, Hi-Shanghai in Chengdu, Flos Granati in Shanghai, Zhujiajiao projects in Qingpu District, Shanghai and Sea Melody in Dali, the company has responded swiftly to market changes and actively pursued its sales plans and duly monitored receipt of contract sums. Sales of such projects have been growing steadily. In respect of International Beer City project in Qingdao, the company adopted a marketing approach of "targeting sales by way of property development" for all of the three office building blocks. Rental revenue for the year was HK$196 million, demonstrating steady growth.

In October 2013, SI Development acquired a 48% interest of Jinxiu Huacheng (52% interest of which was owned by SI Development) from another shareholder of Jinxiu Huacheng for a consideration of RMB325 million. The "Flos Granati" project developed by Jinxiu Huacheng was completed with steady growth in sales since its launch. This transaction is expected to bring extra economic benefits to the company. Furthermore, in January 2014, SI Development disposed of its 51% interest in lot E of the Qingpu District by stages to Shanghai City Land Group through an open listing process on the SUAEE for an aggregate consideration of RMB855 million. Through these transactions, the company has achieved a good return on investment and effectively optimized its cash flow, both of which are beneficial for the sustainable and healthy development of the company.

Set out below is a summary of the main property developments of the Group as at 31 December 2013:

Major Development Properties

	City	Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold GFA during the year (square meters)	Total GFA sold (square meters)	Date of completion
1	Minhang District, Shanghai	Urban Cradle (萬源城)	Residential and commercial	53.1%	908,950	1,124,245	83,695	627,297	2007 to 2015, in phases
2	Songjiang District, Shanghai	Shanghai Youth City (上海青年城)	Commercial and office	100%	57,944	212,130	7,322	137,150	Completed
3	Minhang District, Shanghai	Shanghai Jing City (上海晶城)	Residential and commercial	59%	259,182	602,400	42,688	323,235	2012 to 2016, in phases
4	Minhang District, Shanghai	Jingjie Yuan (晶杰苑)	Residential and commercial	59%	49,764	125,143	95,594	95,594	Completed
5	Chaoyang District, Beijing	American Rock (後現代城)	Residential and commercial	100%	121,499	523,833	2,266	449,356	Completed
6	Chaoyang District, Beijing	Youmang Point (青年匯)	Residential and commercial	100%	112,700	348,664	565	240,881	2007 to 2015, in phases
7	Haidian District, Beijing	West Diaoyutai (西釣魚台嘉園)	Residential	90%	42,541	250,930	1,707	170,260	2007 to 2015, in phases
8	Nankai District, Tianjin	Laochengxiang (老城廂)	Residential, commercial and office	100%	244,252	752,883	8,519	538,516	2006 to 2015, in phases
9	Jiucun Village, Yixingfu, Tianjin	Beichen (北辰)	Residential, commercial and hotel	40%	1,115,477	2,042,750	88,748	88,748	2015 to 2018, in phases
10	Huaqiao Town, Kunshan	Yoooou.net (游站)	Commercial, hotel and office	30.7%	34,223	129,498	39,357	54,089	Completed
11	Zhoushi Town, Kunshan	Royal Villa (琨城帝景園)	Residential	53.1%	205,017	267,350	20,879	125,491	2007 to 2017, in phases
12	Binghu District, Wuxi	Urban Development International Centre (上海中心城開國際)	Commercial, hotel, office and serviced apartment	59%	24,041	193,368	1,323	10,530	Completed
13	Chanba Ecotope, Xi'an	CBE International Peninsula (滻灞半島)	Residential, commercial and hotel	71.5%	2,071,487	3,820,400	61,211	1,710,043	2008 to 2017, in phases
14	Jiulongpo District, Chongqing	Top City (城上城)	Residential, commercial and office	100%	120,014	785,225	5,580	318,664	2008 to 2015, in phases
15	Heping District, Shenyang	Shenyang U Centre (瀋陽城開中心)	Commercial, office and serviced apartment	80%	22,651	229,340	–	–	2015 to 2017, in phases
16	Yuhua District, Changsha	Toscana (托斯卡納)	Residential and commercial	32.5%	180,541	210,980	8,149	186,492	Completed
17	Wangcheng District, Changsha	Forest Sea (森林海)	Residential and commercial	67%	667,749	907,194	7,958	233,115	2007 to 2017, in phases
18	Futian District, Shenzhen	China Phoenix Tower (中國鳳凰大廈)	Residential, commercial and office	91%	11,038	106,190	–	78,343	Completed
Sub-total					**6,249,070**	**12,632,523**			

	City	Projects of SI Development	Type of property	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold GFA during the year (square meters)	Total GFA sold (square meters)	Date of completion
1	Daoli District, Harbin	Longines Bay (盛世江南)	Residential	100%	42,110	234,069	28,171	227,300	Completed
2	Daoli District, Harbin	Shanghai Zhiying (上海智穎)	Commercial and residential	100%	Not applicable	90,201	3,817	90,446	Completed
3	Xiqing District, Tianjin	Rhine Town (萊茵小鎮)	Residential and commercial	100%	375,961	529,971 (basement included)	62,226	414,895	Completed
4	Laoshan District, Qingdao	Sea Palace (青島上實 • 海上海)	Residential and hotel	55%	43,164	143,008	62,214	128,404	Completed
5	Shilaoren National Tourist Resort, Qingdao	Qingdao International Beer City (青島國際啤酒城)	Composite	60.46%	227,675	760,000	91,098	–	2014 to 2018, in phases
6	Qingpu District, Shanghai	Belle Rive (海源別墅)	Villa	51%	315,073	51,911	–	11,962	2014 to 2016, in phases
7	Qingpu District, Shanghai	Shanghai Bay (上海上實 • 海上灣)	Residential	51%	808,572	454,880	16,265	52,513	2011 to 2017, in phases
8	Qingpu District, Shanghai	Shanghai Lot D1	Residential	51%	162,708	63,859	–	–	2017
9	Qingpu District, Shanghai	Shanghai Lot D2	Residential and commercial	51%	194,380	207,612	–	–	2017
10	Jinshan District, Shanghai	Flos Granati (海上納緹)	Residential	100%	135,144	214,143	36,040	27,612	2013 to 2014, in phases
11	Wuxing District, Huzhou	SIIC Hujin Garden (上實湖峻花園)	Residential	100%	85,562	97,881	–	–	2013 to 2014, in phases
12	Hudong Sub-District, Huzhou	Hunun Commercial Plaza, Phase I (湖潤商務廣場(一期))	Commercial	100%	13,661	27,322	–	–	2015
13	Xiaguan Town, Dali	Sea Melody (洱海莊園)	Residential and commercial	75%	292,123	348,870	15,205	278,475	2013
14	Chenghua District, Chengdu	Hi-Shanghai (成都上實 • 海上海)	Residential	50.4%	61,506	254,885	18,575	–	2014 to 2015, in phases
Sub-total					**2,757,639** [1]	**3,478,612** [1]			

	City	Projects of the Group	Type of property	Interest attributable to the Group	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold GFA during the year (square meters)	Total GFA sold (square meters)	Date of completion
1	Qingpu District, Shanghai	Belle Rive (海源別墅)	Villa	49%	315,073	51,911	–	11,962	2014 to 2016, in phases
2	Qingpu District, Shanghai	Shanghai Bay (上實 • 海上灣)	Residential	49%	808,572	454,880	16,265	52,513	2011 to 2017, in phases
3	Qingpu District, Shanghai	Shanghai Lot D1	Villa	49%	162,708	63,959	–	–	2017
4	Qingpu District, Shanghai	Shanghai Lot D2	Villa	49%	194,380	207,612	–	–	2017
Sub-total					**1,480,733** [1]	**778,362** [1]			
Total					**10,487,442** [1]	**16,889,497** [1]			

Major Future Development Properties

	City	Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Approximate site area (square meters)	Planned total GFA (square meters)	Anticipated project completion date
1	Xuhui Binjiang District, Shanghai	Binjiang Land (濱江)	Mixed use	35.4%	77,371	324,600	Under planning
2	Minhang District, Shanghai	U Centre (城開中心)	Commercial, hotel and office	59%	65,727	388,125	2014 to 2016, in phases
3	Minhang District, Shanghai	Xinzhuang Metro Superstructure (莘莊地鐵上蓋)	Residential, commercial, hotel, office and apartment (office)	20.7%	117,825	405,000	Under planning
4	Economic and Technology Development Zone, Yanjiao	Yanjiao (燕郊)	Residential, commercial, hotel and office	100%	333,333	666,600	2015 to 2018, in phases
5	Tang Jia Hi-tech Zone, Zhuhai	Qi Ao Island (淇澳島)	Residential, commercial and hotel	100%	2,215,516	1,090,000	Under planning
Sub-total					**2,809,772**	**2,874,325**	

	City	Projects of SI Development	Type of property	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Anticipated project completion date
1	Wuxing District, Huzhou	SIIC Holiday Hotel (上實假日酒店)	Hotel and commercial	100%	116,458	48,000	2016 (Undergoing preparatory work)
2	Fengze District, Quanzhou	SIIC Haishanghai project Lots C-7, C-8-1, C-8-2, C-5, C-6-1, C-6-2, B-5 villa	Residential and commercial	49%	381,795	1,615,395	2021 (Under preliminary planning)
3	Qingpu District, Shanghai	Shanghai Lot E	Villa	51%	434,885	217,428	Under planning[2]
Sub-total					**933,138**	**1,880,823**	

	City	Projects of the Company	Type of property	Interest attributable to the Group	Approximate site area (square meters)	Planned total GFA (square meters)	Anticipated project completion date
1	Qingpu District, Shanghai	Shanghai Lot E	Villa	49%	434,885	217,428	Under planning[3]
2	Qingpu District, Shanghai	Shanghai Lot F	Villa	10%	350,533	175,267	Under planning
3	Qingpu District, Shanghai	Shanghai Lot G	Villa	10%	401,274	200,637	Under planning
Sub-total					**1,186,692**	**593,332**	
Total					**4,929,602**	**5,348,480**	

Major Investment Properties

	City	Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Total GFA for investment properties (square meters)
1	Nankai District, Tianjin	Laochengxiang (老城廂)	Residential, commercial and office	100%	14,296[4]
2	Songjiang District, Shanghai	Shanghai Youth City (上海青年城)	Commercial	100%	16,349[4]
3	Jiulongpo District, Chongqing	Top City (城上城)	Commercial and car park spaces	100%	251,847[4]
4	Futian District, Shenzhen	China Phoenix Tower (中國鳳凰大廈)	Office	91%	1,048[4]
5	Xuhui District, Shanghai	Urban Development International Tower (城開國際大廈)	Office	59%	45,239
6	Xuhui District, Shanghai	Huimin Commercial Tower (匯民商廈)	Commercial	59%	13,839
7	Shanghai	Others	Commercial and office	59%	9,249
Sub-total					**351,867**

	City	Projects of SI Development	Type of property	Interest attributable to SI Development	Total GFA for investment properties (square meters)
1	Xuhui District, Shanghai	Shanghai Industrial Investment Building (上海實業大廈)	Commercial and office	100%	10,089
				32%	50,591 (carpark included)
2	Huangpu District, Shanghai	Golden Bell Plaza (金鐘廣場)	Commercial and office	100%	12,270
				90%	47,211 (carpark included)
3	Yangpu District, Shanghai	Hi-Shanghai Commercial and Cultural Complex (海上海商業用房及文化設施)	Composite	100%	44,027 (carpark included)
4	Pudong New District, Shanghai	No. 1111, Shangchuan Road (上川路1111號)	Industrial building	100%	40,208
5	Hongkou District, Shanghai	Gao Yang Commercial Centre (高陽商務中心)	Commercial and office	100%	26,668
6	Hongkou District, Shanghai	Gao Yang Hotel (高陽賓館)	Hotel	100%	3,847
7	Huangpu District, Shanghai	Commercial Units of Huangpu Estate (黃浦新苑商鋪)	Commercial	100%	20,918 (carpark included)
8	Changning District, Shanghai	Super Ocean Finance Center (仲盛金融中心)	Commercial and office	100%	2,321
Sub-total					**258,150**
Total					**610,017**

Notes:

1. There are duplicate figures in the GPA of Belle Rive, Shanghai Bay, Shanghai Lot D1 and Shanghai Lot D2.
2. The disposal of the SI Development's 51% interests in Shanghai Lot E was completed in the first quarter of 2014.
3. The disposal of 49% interests in Shanghai Lot E by the Company was completed in February 2014.
4. Such total GFAs are duplicate figures, which have been included in the Major Development Properties table.

CONSUMER PRODUCTS

During the year, profit contributions from the consumer products business increased 2.8% over last year to HK$1,001 million, accounting for approximately 36.4% of the Group's Net Business Profit. The business segment continued to provide steady earnings and cash flow for the Group and supported its long term business development.

Tobacco

In 2013, Nanyang Tobacco has continued to follow through its strategies that emphasizes on "controlling the scale of its investments, refining its structure, stabilizing its results and raising its brand image". With considerable efforts made on development of new products, expansion of markets and improvement in technology, the company's results performance continued to demonstrate competitive. In 2013, total sales volume grew by 3.5%. Revenue and profit after tax increased by 7.6% and 18.5% to HK$2,911 million and HK$832 million respectively. Construction work for various production lines and technology alteration projects were completed during the year. In 2014, projects that the company plans to work on include technological alteration in tobacco production lines, cigarette packaging machines and canned cigarettes.

Nanyang Tobacco continued to enhance its marketing plans and explore its overseas distribution markets, resulting in a satisfactory increase in sales as well as the enhancement of the global brand awareness of Double Happiness. In 2013, the company focused on expanding into the American and European taxable and duty free markets. Within these markets, the Double Happiness "Classic Deluxe" gift set and box set for the South American markets were launched in July 2013. During the year, sales of all high value-added brands increased. New products include "Classic Infinity", "Southern Brotherhood" and "Peony Deluxe". In addition, new canned products with unique craftsmanship are developed targeting the duty-free markets. These include "Fair Ladies" and "Fortune", which will be launching to the market soon.

Printing

During the year, Wing Fat Printing recorded a revenue of HK$1,055 million, representing an increase of 2.5% over last year. Net profit dropped 37.8% to HK$181 million. The decline was mainly due to the non-comparable factor of the one-off gains recorded from the disposal of 70% equity interests in Chengdu Wingfat Printing during the last financial year, as well as the impact on the business of Wing Fat Printing caused by the shrink in high-end tobacco and the wine packaging market in mainland China. The disposal of Wing Fat Printing's 30% interest in Zhejiang Tianwai was completed in the first half of 2013, contributing to a disposal gain of HK$87.95 million.

Wing Fat Printing is a time-honoured and reputable brand in Hong Kong and mainland China with over 100 years of history. Its business includes paper packaging such as tobacco and wine packaging, metal can packaging, production of tipping paper and paper for construction work, as well as printing services. With plants located in numerous provinces and cities including Hong Kong, Guangdong, Shanghai, Sichuan, Zhejiang, Henan, Shandong and Guangxi, the company ranks among the top in China's printing and packaging industry. During the year, its two subsidiaries were recognized as "R&D centre for packaging materials in China" and "R&D centre for anti-counterfeiting printing and packaging" by China Packaging Federation respectively. Wing Fat Printing further explored on the entry into the pulp mould packaging industry in order to achieve breakthroughs on business development and bring new profit sources.

KEY FIGURES

	2013	2012	Change %
Results			
Revenue (HK$'000)	21,567,724	19,286,910	11.8
Profit attributable to Owners of the Company (HK$'000)	2,702,418	3,438,210	-21.4
Earnings per share – basic (HK$)	2.500	3.184	-21.5
Dividend per share (HK cents)	87	108	
– interim (paid)	42	50	
– final (proposed)	45	58	
Dividend payout ratio	34.8%	33.9%	
Interest cover (note (a))	5.9 times	7.7 times	

	2013	2012	Change %
Financial Position			
Total assets (HK$'000)	122,410,025	115,313,011	6.2
Equity attributable to Owners of the Company (HK$'000)	34,946,024	32,409,489	7.8
Net assets per share (HK$)	32.28	30.00	7.6
Net debt ratio (note (b))	30.82%	52.01%	
Gearing ratio (note (c))	41.92%	43.25%	
Number of shares in issue (shares)	1,082,751,600	1,080,249,000	

Note (a): (profit before taxation, interest expenses, depreciation and amortization)/interest expenses

Note (b): (interest-bearing loans – cash)/equity attributable to owners of the Company

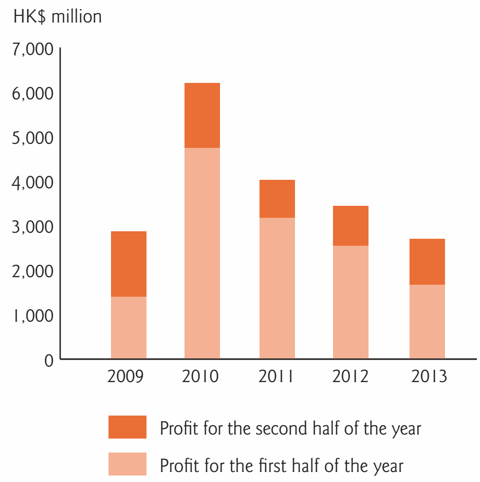
Note (c): interest-bearing loans/(equity attributable to owners of the Company + non-controlling interests + interesting-bearing loans)

I ANALYSIS OF FINANCIAL RESULTS

1 Profit attributable to Owners of the Company

For the year ended 31 December 2013, the Group recorded a profit attributable to owners of the Company of HK$2,702.42 million, a decrease of HK$735.79 million or approximately 21.4% as compared to 2012, which is mainly due to a gain of HK$1,131.78 million from the disposal of Lot G of Qingpu District, Shanghai last year.

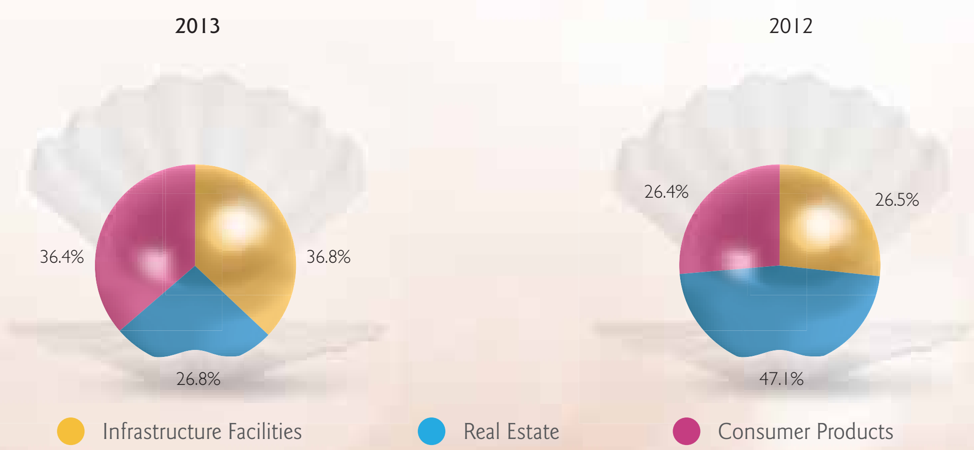
Excluded the net gain of HK$1,131.78 million from the disposal of Lot G of Qingpu District, Shanghai last year, the group recorded an increase of HK$395.99 million or approximately 17.2% in profit attributable to owners of the Company as compared to 2012.



2 Profit Contribution from Each Business

The profit contributed by each business in the Group for the year 2013 and the comparative figures last year was summarized as follows:

	2013 HK$'000	2012 HK$'000	Change %
Infrastructure Facilities	1,015,067	978,127	3.8
Real Estate	737,656	1,736,286	-57.5
Consumer Products	1,001,464	973,785	2.8
	2,754,187	3,688,198	-25.3



Net profit from the infrastructure facilities business for the year was approximately HK$1,015.07 million, accounting for 36.8% of Net Business Profit, representing a year-on-year increase of 3.8%. Although the traffic flow of three expressways recorded natural growth ranging from 10.8%-11.4%, revenue from toll roads segment for the year was affected to a certain extent due to the policy of expressway toll exemptions for small passenger vehicles in key festivals introduced by the government during the second half of 2012. However, benefiting from our cost control measures, there was still a stable growth in profits. As for water services business, SI Environment completed the acquisition of controlling interests in Nanfang Water in the second half of 2012, the result of which was consolidated for the year, representing a new contribution to our profit, and in addition to the growing results recorded by General Water of China, water services segment achieved a significant growth in profit.

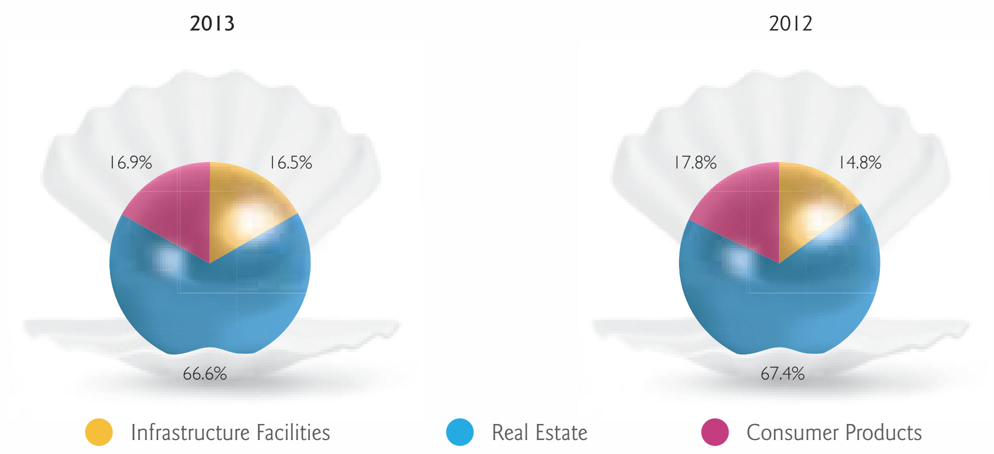
Real estate business recorded a profit of approximately HK$737.66 million, accounting for 26.8% of Net Business Profit, representing a year-on-year decrease of HK$998.63 million. The decrease was mainly due to the absence of net profit of HK$1,131.78 million from the disposal of 90% equity interest in Lot G in Qingpu and of sharing SI Development's reversal of investment impairment loss for the sale of the Beijing Workers' Gynasium project of HK$373.68 million for the last year, while during the year, the Group only shared the profit of HK$515.68 million from the disposal of interest in a land parcel, representing 25% equity interest of U Center project, which partly offset the decrease in profit of real estate business. Excluding the impact by the disposal and reversal, operating profit of real estate business improved mainly due to the increase in property sales booked during the year, most of which were higher gross margin real estate projects.

The consumer products business recorded a net profit of approximately HK$1,001.46 million for the year, accounting for 36.4% of Net Business Profit. Net profit increased year-on-year by HK$27.68 million or 2.8%, mainly due to the satisfactory increase in sales volume and continuous increase in profit as a result of continuous enhancement in marketing activities by Nanyang Tobacco and aggressive exploration for overseas market, though the increase in profit was partly offset by the decrease in Wing Fat Printing's result. During the year, the Company shared a profit of approximately HK$82.21 million from the disposal of 30% equity interest in Zhejiang Tianwai project by Wing Fat Printing while we shared a profit of approximately HK$161.11 million from the disposal of the entire 70% equity interest in Chengdu Wingfat in last year. During the year, Wing Fat Printing recorded a year-on-year decline in operating profit mainly due to an obvious decrease in income from packaging and printing service as a result of the shrinking market for high-end cigarette and wine products.

3 Revenue

The Group's revenue by principal activities for the year 2013 and prior year comparatives was summarized as follows:

	2013 HK$'000	2012 HK$'000	Change %
Infrastructure Facilities	3,550,386	2,848,463	24.6
Real Estate	14,374,056	13,011,356	10.5
Consumer Products	3,643,282	3,427,091	6.3
	21,567,724	19,286,910	11.8



In 2013, the revenue amounted to approximately HK$21,567.72 million, representing a year-on-year increase of 11.8%, mainly due to the increase in property sales booked by SI Urban Development as compared to the last year, resulting in an increase in revenue of HK$990.99 million. Furthermore, SI Environment in infrastructure facilities recorded a year-on-year increase in revenue of HK$536.16 million, driven by consolidating Nanfang Water's sales after it was acquired by SI Environment.

The year-on-year increase in revenue of infrastructure facilities business was mainly attributable to the natural growth in the toll income from three expressways, together with the consolidation of Nanfang Water's twelve-months revenue after SI Environment completed the acquisition of controlling interests in Nanfang Water during the second half of 2012.

SI Urban Development recorded an increase of revenue of approximately 11.3% due to the higher amount of property delivered during the year and SI Development also recorded a year-on-year increase in the sales, resulting in an increase in revenue of 10.5% in real estate business.

As for the revenue from consumer products business, Nanyang Tobacco maintained a stable growth but Wing Fat Printing's income from packaging and printing service recorded an obvious decline since the sales were adversely impacted by the shrinking market for high-end cigarette and wine products. As a result, revenue from consumer products business only recorded a slight year-on-year increase.

4 Profit before Taxation

(1) Gross profit margin

Gross profit margin for the year was 29.2%, a marginal increase of 0.3 percentage points as compared to 28.9% for last year. The increase in gross profit margin was mainly due to part of the property sales booked in respect of the real estate business for the year was higher gross margin commodity housing.

(2) Other income

Other income for the last year included a reversal of impairment loss for real estate project of HK$587.08 million. There was no such income of similar nature during the year.

(3) Gain on disposal of assets through disposal of subsidiaries

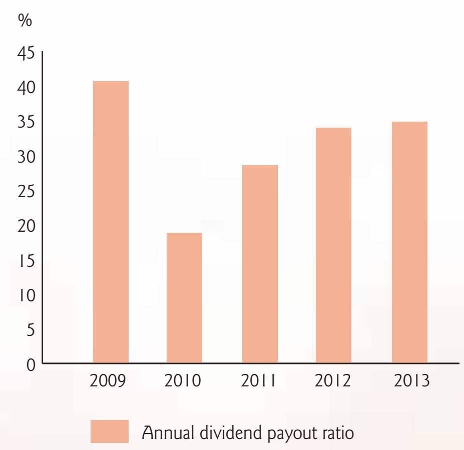
The Group completed the disposal of interest in a land parcel, representing 25% equity interest in U Center project during the year and recorded a pre-tax gain of HK$819.13 million.

(4) Gain on disposal of interests in subsidiaries, joint ventures and associates

During the year, the Group recorded pre-tax disposal gains of HK$215.12 million as a result of the disposal of two wholly-owned subsidiaries of SI Development, namely Huzhou Huhong Investment Development Co., Ltd. and Huzhou Hubin Investment Development Co., Ltd., together with the disposal of 30% equity interest in Zhejiang Tianwai project by Wing Fat Printing. During last year, the Group completed the disposals of the project of Forest Garden in Changsha, Tangdao Bay project and the 70% equity interest in Chengdu Wingfat Printing and recorded pre-tax disposal gains totaling HK$668.88 million.

5 Dividend

The Group continued to adopt a stable dividend payout policy. The Board of Directors has proposed a final dividend of HK45 cents per share. Together with an interim dividend of HK42 cents per share, the total dividend amounted to HK87 cents per share for 2013 (2012: HK108 cents per share), annual dividend payout ratio is 34.8% (2012: 33.9%).

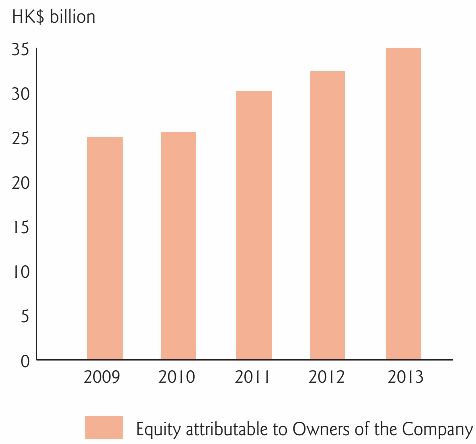


II FINANCIAL POSITION OF THE GROUP

1 Capital and Equity attributable to Owners of the Company

The Group had a total of 1,082,751,600 shares in issue as at 31 December 2013, which was increased by 2,502,600 shares as compared with 1,080,249,000 shares in issue as at the end of 2012. The increase is mainly attributable to the exercise of share options by employees during the year.

The equity attributable to Owners of the Company reached HK$34,946.02 million as at 31 December 2013, which was attributable to the net profits after deducting the dividend actually paid during the year.



2 Indebtedness

(1) Borrowings

During the year, the Company issued HK$3,900 million zero coupon five-year convertible bonds successfully through a wholly-owned subsidiary, Tong Jie Limited, which strongly improved the Group's funds base for business development while opening up a new financing channel in addition to bank borrowings. In addition, the Company entered into a loan facility of RMB1,000 million in February 2014, which will be used for the refinancing of the RMB loan due in May 2014.

As at 31 December 2013, the total borrowings of the Group including bank borrowings, other borrowings, senior notes and convertible bonds amounted to approximately HK$37,806.53 million (31 December 2012: HK$36,763.90 million), of which 72.6% (31 December 2012: 64.6%) was unsecured credit facilities.

(2) Pledge of assets

As at 31 December 2013, the following assets were pledged by the Group to banks to secure general banking facilities granted by these banks to the Group:

(a) investment properties with an aggregate carrying value of HK$5,298,903,000 (31 December 2012: HK$8,212,311,000);

(b) leasehold land and buildings with an aggregate carrying value of HK$940,841,000 (31 December 2012: HK$11,516,000);

(c) plant and machineries with an aggregate carrying value of HK$14,837,000 (31 December 2012: Nil);

(d) One (31 December 2012: One) toll road operating right of HK$3,335,773,000 (31 December 2012: HK$3,359,512,000);

(e) receivables under service concession arrangements with an aggregate carrying value of HK$2,294,931,000 (31 December 2012: HK$1,900,411,000);

(f) properties under development held for sale with an aggregate carrying value of HK$10,630,517,000 (31 December 2012: HK$10,767,128,000);

(g) properties held for sale with an aggregate carrying value of HK$132,958,000 (31 December 2012: Nil);

(h) trade receivables with an aggregate carrying value of HK$240,273,000 (31 December 2012: HK$174,926,000); and

(i) bank deposits with an aggregate carrying value of HK$512,231,000 (31 December 2012: HK$447,838,000).

(3) Contingent liabilities

As at 31 December 2013, the guarantees given to banks by the Group in respect of banking facilities utilised by an entity controlled by Xuhui District State Owned Asset Administrative Committee, property buyers and a joint venture amounted to approximately HK$340.59 million, HK$3,137.45 million and HK$212.23 million (31 December 2012: HK$393.04 million, HK$3,205.16 million and Nil) respectively.

3 Capital Commitments

As at 31 December 2013, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK$8,894.87 million (31 December 2012: HK$7,319.36 million). The Group had sufficient internal resources or through loan market channel to finance its capital expenditures.

4 Bank Deposits and Short-term Investment

As at 31 December 2013, bank balances and short-term investments held by the Group amounted to HK$27,035.63 million (31 December 2012: HK$19,909.21 million) and HK$542.12 million (31 December 2012: HK$408.37 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars were 4%, 85% and 11% (31 December 2012: 5%, 85% and 10%) respectively. Short-term investments mainly consisted of investments such as bonds, Hong Kong and PRC listed shares.

While having sufficient working capital and a healthy interest cover, the Group is monitoring the market situation and the funding requirements for business development, will seek opportunities to optimize capital structure should the need arise.

III MANAGEMENT POLICIES FOR FINANCIAL RISK

1 Currency Risk

The Group mainly operates in China and the Hong Kong Special Administrative Region and the exposure in exchange rate risks mainly arises from fluctuations in the US dollar, HK dollar and Renminbi exchange rates. As the HK dollar and Renminbi are both under managed floating systems, the Group, after reviewing its exposure for the time being, did not enter into any derivative contracts aimed at minimizing exchange rate risks during the year. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

2 Interest Rate Risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. In order to exercise prudent management against interest rate risk, the Group continues to review the market trend, as well as its business operations needs and its financial position, so as to arrange the most effective interest rate risk management tools.

3 Credit Risk

The Group's principal financial assets are bank balances and cash, equity and debt investments, trade and other receivables. The Group's trade and other receivables presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made according to the Group's accounting policy or where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

With respect to the credit risk of the Group's treasury operations, the Group's bank balances and cash, equity and debt investments must be placed and entered into with financial institutions of good reputation. There are strict requirements and restrictions as to the outstanding amount and credit ratings on equity and debt investments to be held, so as to minimize the Group's credit risk exposure.

4 Equity Price Risk

The Group and the Company is exposed to equity price risk through its investment in equity securities classified as either available-for-sale investments or financial assets at fair value through profit or loss. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group and the Company's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, management has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

CORPORATE GOVERNANCE REPORT

Dedicated to the concept of good corporate governance, the Group has set up an effective corporate governance structure to carry out regular monitoring and risk evaluation on various aspects of its business operations, so as to maintain high corporate governance standards. Apart from protecting the interests of shareholders and stakeholders, the competitiveness of the Company has been considerably enhanced to the ultimate benefit of our shareholders, maximizing shareholders' value.

CORPORATE GOVERNANCE STRUCTURE

Through a sound and effective corporate governance framework, the Board has been committed to corporate governance throughout its decision-making process. Different functional committees and administrative organizations have been established to ensure that the principles of good governance are observed and that corporate governance measures formulated by the Board are properly implemented.

In accordance with requirements for the Corporate Governance Code, the Company has during the year conducted an annual review on the effectiveness of its internal control system as well as that of it subsidiaries, in addition to internal audits currently conducted for subsidiaries within the Group. The scope of such reviews covered financial, operational and compliance controls and risk management. During the year, professional training and information on the laws and regulations applicable to mainland China and Hong Kong in view of changes on regulatory systems and legal requirements applicable thereto were given to the new and existing member companies.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company has complied with all code provisions set out in the Corporate Governance Code for the year ended 31 December 2013, except for deviations from A.6.7 and E.1.2 of the Code as described below. An Independent Non-Executive Director, who was then also the chairman of the Remuneration Committee and Nomination Committee, was unable to attend the annual general meeting and extraordinary general meeting of the Company both held on 21 May 2013 due to overseas business engagements. Details of the principles and practices of governance of the Company and all major work and relevant changes during the year are set out in this report.

During the year, in response to new amendments to the provisions of corporate governance, the Company has established its own Board Diversity Policy in order to comply with relevant regulations and to enhance corporate governance standards of the Company. In accordance with the policy, when the Company selects candidates for directors, we will base our decisions on a number of factors, including but not limited to sex, age, professional experience, knowledge and number of years of service and contributions that the selected candidates are expected to bring to the Board. The policy will be implemented by the Nomination Committee, the effectiveness of which will be reviewed by the committee on a regular basis.

The new Companies Ordinance has come into effect on 3 March 2014. Since the Company is a company incorporated in Hong Kong with a share capital, the par value of the Company's shares will be abolished and its capital structure will be adjusted accordingly. The company will enjoy more flexibility in structuring its share capital in the future while the interest of shareholders will be unaffected.

The Company also established its own Insider Disclosure Policy and required compliance by all of its subsidiaries with a view to maintain good corporate governance within the Group and to ensure due disclosure of corporation information as well as to enhance corporate transparency. At present, the Group releases business development information in a timely manner through different channels, including the publication of annual and interim reports and business results, the sending of circulars to shareholders, and disclosing latest developments through news conference and press releases. All the above information is published on the website of the Company.

STRATEGIC OBJECTIVES AND BUSINESS MODEL

In accordance with its work plans, the Group has strategically positioned itself as a Hong Kong based company that relies on mainland China. Through effective allocation of resources outside the country as well as integration of capital and business operations, the Group has successfully turned itself into an enterprise that built its foundation on its three core areas of business, including real estate, infrastructure and environment as well as consumer products. Capitalizing on the future development opportunities of China, the Group strives to become a comprehensive investment red chip window company that will constantly create value for its shareholders. Based on its own resources and the market development at home and abroad, the Company will pursue the steady development of its real estate business and continue to expand the infrastructure and environment business while striving to enhance the growth of its consumer product businesses in the future.

BOARD OF DIRECTORS

The Board of Directors represents the highest level of authority in the governance structure of the Company. It is mainly responsible for formulating the Group's long term business development strategies and operational direction, monitoring the Group's business and financial performance, formulating and reviewing the Group's corporate governance policies and day-to-day operations, as well as leading and supervising the management to ensure thorough implementation of the Board's decisions and effective performance of their duties.

Composition of the Board

As of the date of this report, the Board of Directors of the Company consists ten members as below:

Name of Director	Executive position in the Board	Years of service in the Group
Executive Directors		
Wang Wei	Chairman	9 months
Zhou Jie	Vice Chairman & Chief Executive Officer	12 years
Lu Shen	Executive Deputy CEO	4.5 years
Zhou Jun	Deputy CEO	8.5 years
Ni Jian Da	Deputy CEO	5 years
Xu Bo	Deputy CEO	2 years
Independent Non-Executive Directors		
Lo Ka Shui	–	18 years
Woo Chia-Wei	–	18 years
Leung Pak To, Francis	–	18 years
Cheng Hoi Chuen, Vincent	–	1.5 years

The members of the Board of the Company comprise professionals from different areas who have served in relevant PRC government authorities, enterprises and financial institutions in mainland China and Hong Kong, all of whom have extensive experience in corporate and financial administration, project management, asset management and international business.

No member of the Board is materially related to one another in terms of financial, business and family aspects. Brief biographical details of the Directors are set out on pages 46 to 48 of this Annual Report. In all corporate communication channels as well as the websites of the Company and the Stock Exchange, the composition of the Board according to the categories and duties of the Directors are disclosed.

Mr. Wang Wei and Mr. Zhou Jie are Chairman and Chief Executive Officer of the Company respectively. Interpretation of the Responsibilities between the Chairman and the Chief Executive Officer have been adopted for the distinction between the two positions.

Independent Non-Executive Directors

The Company has four Independent Non-Executive Directors. They have the same fiduciary duties as those of the Executive Directors. The number of Independent Non-Executive Directors accounts for more than one-third of the number of members of the Board while no less than one of the Independent Non-Executive Directors has the relevant financial expertise required. All Independent Non-Executive Directors are also members of the respective Remuneration Committee and Nomination Committee, among them, three are also members of the Audit Committee. Confirmation from each Independent Non-Executive Director concerning his independence according to Rule 3.13 of the Listing Rules has been received and they are considered to be independent. During the year, the Chairman has met the Independent Non-Executive Directors without the presence of Executive Directors.

Replacement of Directors

For the year ended 31 December 2013 and up to the date of this report, the following changes were made to the Board of the Company:

- On 25 June 2013, Mr. Teng Yi Long has resigned as an Executive Director and Chairman of the Company due to his retirement. On the same date, being nominated by the Nomination Committee of the Company, Mr. Wang Wei was appointed as Executive Director and Chairman of the Company.

- On 20 February 2014, due to age reason, Mr. Qian Yi resigned as an Executive Director and Deputy CEO of the Company. On the same date, being nominated by the Nomination Committee of the Company, Mr. Ni Jian Da was appointed as Executive Director and he would continue to act as a Deputy CEO of the Company.

The resolutions for the above changes were passed by all members of the Board, and relevant disclosures were made by announcement in accordance with the Listing Rules.

Terms of the Directors

According to the Directors' service agreements entered into between the Company and five Executive Directors respectively and the appointment letter for one Executive Director issued by the Company, any party may terminate the agreement or appointment by giving to the other party prior written notice. In addition, the Company also issued appointment letters for four Independent Non-Executive Directors, specifying an appointment term of three years, subject to renewal upon expiry.

At the 2013 annual general meeting, Mr. Qian Yi, Dr. Lo Ka Shui and Prof. Woo Chia-Wei retired by rotation and were re-elected in accordance with the Company's articles of association. In addition, as Dr. Lo Ka Shui and Prof. Woo Chia-Wei have served in the Company for more than nine years, their further appointments were approved by shareholders by individual vote proposed by the Company in accordance with the relevant requirements set out in the Corporate Governance Code, while Mr. Xu Bo and Mr. Cheng Hoi Chuen, Vincent were also re-elected and continued to act as Directors in accordance with the Company's articles of association and the requirements set out in the Corporate Governance Code.

At the upcoming 2014 annual general meeting, Mr. Zhou Jie, Mr. Zhou Jun and Mr. Leung Pak To, Francis shall retire by rotation in accordance with the articles of association of the Company. All of them, being eligible, have offered themselves for re-election, while Mr. Wang Wei and Mr. Ni Jian Da shall retire at the meeting and offer themselves for re-election by shareholders in accordance with the Company's articles of association and the Corporate Governance Code. Their biographical details as well as the resolutions and explanatory statement for re-election of Mr. Leung Pak To, Francis, who has served in the Company for more than nine years as Independent Non-Executive Director are set out in the circular to shareholders to be dispatched together with this Annual Report, so as to enable shareholders to make an informed decision on their election.

Responsibilities of Directors

The Directors of the Company are dedicated to their duties diligently, and have taken an active participation in the Company's affairs. During the year, the Company has provided induction materials to a newly appointed Director as well as the necessary information and training during the tenure of his appointment. The Company has established the Procedures for Directors to Seek Professional Advice, and the Directors (also refers to the board committee members) may seek independent professional advice according to such agreed procedures at the expense of the Company.

Every year, the Company also arranged liabilities insurance for directors and senior officers of the Company and its subsidiaries, providing certain protection for any legal liabilities risks they may have involved in the discharge of their duties as well as to possible legal claims made against the respective companies as a result.

Proceedings at Directors' Meetings

The schedule for convening regular meetings of the Board (also refers to the board committees) for the whole year will be set at the end of the preceding year. The Board will convene at least four regular meetings a year. Save for non-regular meetings, notices of meeting and relevant materials will be given 14 days and 3 days before the date of the regular meetings of the Board (also refers to the board committees) respectively. The Company Secretary will confirm with the Directors if any matters are required to be included in the agenda for regular meetings before they are sent out.

Meeting minutes are kept with the Company Secretary, copies of which will be sent to each Director for inspection and safekeeping. All matters considered and resolved at the meetings, including any concerns raised by the Directors or dissenting views expressed will be recorded in the minutes. Board papers and related materials are open for inspection at any time by any Director.

During the year, for those matters to be considered by the Board in which a substantial shareholder or a Director had a material conflict of interest, these matters have been dealt with at a physical board meeting. If any resolution of the board meeting involves material interests of any Director or any of his associates, such Director will abstain from voting and will not be counted in the quorum present at the meeting.

In 2013, 11 board meetings were held by the Company (7 of which were in the form of written resolutions). Please refer to the Business Review, Discussion and Analysis of this Annual Report for material decisions made by the Board during the year. The attendance of individual Directors and committee members in 2013 is set out below:

	Meetings held in 2013					
	Meetings attended/Meetings held					
	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Number of meetings held in the year	**11**	**18**	**3**	**2**	**2**	**2**
Executive Directors						
Wang Wei[1]	5/5	18/18	–	–	–	0/0
Zhou Jie	11/11	18/18	–	–	–	2/2
Lu Shen	11/11	18/18	–	–	–	2/2
Zhou Jun	11/11	18/18	–	–	–	2/2
Ni Jian Da[2]	–	–	–	–	–	–
Xu Bo	11/11	18/18	–	–	–	2/2
Qian Yi[3]	11/11	18/18	–	–	–	2/2
Independent Non-Executive Directors						
Lo Ka Shui[4]	10/11	–	1/1	2/2	2/2	0/2
Woo Chia-Wei	11/11	–	3/3	2/2	2/2	2/2
Leung Pak To, Francis	11/11	–	3/3	2/2	2/2	2/2
Cheng Hoi Chuen, Vincent	11/11	–	3/3	2/2	2/2	2/2
Committee Members						
Li Han Sheng	–	–	–	2/2	2/2	–
Guo Fa Yong	–	–	–	2/2	2/2	–
Attendance	**99%**	**100%**	**100%**	**100%**	**100%**	**88.9%**

Notes:

1. Appointed on 25 June 2013 as Director.
2. Appointed on 20 February 2014 as Director.
3. Resigned on 20 February 2014 as Director.
4. Resigned on 26 March 2013 as member of the Audit Committee.
5. The attendance is accounted for by reference to the number of board meetings held during the tenure of each respective director.

Securities Transactions by Directors

The Company has established its own Code for Securities Transactions by Directors or Relevant Employees, which was set on terms no less exacting than the required standards set out in the Model Code. Having made enquiries with all Directors and the relevant employees of the Company, each of them has confirmed that the requirements of the Model Code and the code of the Company were fully complied with during 2013.

Directors' Training

During the year, the Company has provided training to Directors in respect of updates of Hong Kong regulations, the contents of which covered suspension of trading, the new Companies Ordinance and the Competition Ordinance, which will be in effect soon. Based on the Directors' training records, the trainings received by each Director for the year ended 31 December 2013 is summarized as follows:

	Continuing professional development category	
Name of director	**To participate in training covering business, industries, corporate governance, regulatory development and other related topics**	**To read newspapers, publications and updated information about economics, commerce, directors' duties etc.**
Executive Directors		
Wang Wei	√	√
Zhou Jie	√	√
Lu Shen	√	√
Zhou Jun	√	√
Ni Jian Da	√	√
Xu Bo	√	√
Independent Non-Executive Directors		
Lo Ka Shui	√	√
Woo Chia-Wei	√	√
Leung Pak To, Francis	√	√
Cheng Hoi Chuen, Vincent	√	√

Functions of Corporate Governance

The Board of the Company is responsible for performing corporate governance duties to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuing professional development of Directors and senior management; to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Group's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the year, the Company also provided corporate governance guidelines and information from time to time to the Board members and member companies according to the latest laws and regulations, and ensured compliance with the relevant provisions of corporate governance by them.

DELEGATION BY THE BOARD

Board Committees

Currently four committees have been established under the Board, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. All committees are responsible to the Board, and shall report to the Board on the decisions or recommendations they made. The terms of reference of the Company's Audit Committee, Remuneration Committee and Nomination Committee have been published on the Company's website and the website of the Stock Exchange.

Executive Committee

Being a decision-making administrative body under the Board, the Executive Committee is primarily responsible for taking charge of the Company's day-to-day operations, ensuring proper execution of the resolutions passed by the Board and at the general meetings, reviewing major business activities and investments, and reporting to the Board.

All members of the Executive Committee are Executive Directors. As of the date of this report, members of the committee included Mr. Wang Wei, Mr. Zhou Jie, Mr. Lu Shen, Mr. Zhou Jun and Mr. Xu Bo. Mr. Wang Wei is the chairman of the committee. On 25 June 2013, Mr. Teng Yi Long retired as committee member and chairman due to his retirement, and Mr. Wang Wei was appointed and joined the committee on the same date.

Major Work Done by the Executive Committee

In 2013, the Executive Committee held eighteen meetings in the form of written resolutions. The matters considered included acquisitions and disposals, approval of loans and borrowings, increase of capital of subsidiaries, placing and formulation of internal policies, etc.

Audit Committee

The Audit Committee is mainly responsible for reviewing accounting policies and practices adopted by the Group. The committee also discusses matters relating to financial reporting as well as internal control and risk management, selects, appoints and dismisses external auditor and monitors the relationship between the Company and external auditor and reports to and makes recommendations to the Board for decision-making.

As of the date of this report, the members of the Audit Committee included Mr. Cheng Hoi Chuen, Vincent, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis. Mr. Cheng Hoi Chuen, Vincent is the chairman of the committee. The Company Secretary acts as committee secretary. During the year, Dr. Lo Ka Shui resigned from the position of committee member due to heavy personal endeavours.

Major Work Done by the Audit Committee

In 2013, the Audit Committee held three meetings. The matters considered at the meetings included review of the Group's results, review of the Company's financial reporting, internal control and risk management system, review of internal audit, non-audit services report, human resources for accounting and financial reporting functions as well as appointment of external auditor for the coming year. During the year, one meeting was held in the absence of Executive Directors for the Audit Committee to meet with the auditor.

Remuneration Committee

The Remuneration Committee is mainly responsible for reviewing the remuneration policy and structure of the Company as a whole and ensuring effective implementation of such policies. The committee also makes recommendations to the Board on the establishment of formal and transparent procedures for setting the remuneration policies and structure with regard to the Directors and senior management. The committee will make recommendations to the Board in respect of the remuneration of Directors and senior management in accordance with corporate strategies and goals set up by the Board, and none of the Directors will determine his own remuneration.

As of the date of this report, the members of the Remuneration Committee included four Independent Non-Executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis and Mr. Cheng Hoi Chuen, Vincent, as well as representatives from the management, namely Mr. Li Han Sheng and Mr. Guo Fa Yong. Dr. Lo Ka Shui is the chairman of the committee while the Company Secretary acts as the committee secretary.

Major Work Done by the Remuneration Committee

In 2013, the Remuneration Committee held two meetings, one of which was in the form of written resolutions. The matters considered included distribution and payment of discretionary bonuses to the Directors, proposed adjustments for the remuneration of Directors and senior management, service agreement for a new Director, etc.

During the year, according to the Company's performance appraisal mechanism, salaries of the employees were reviewed taking into account the Company's performance, individual performance of the staff and the trend of the industry average to ensure a reasonable and competitive compensation package for its employees.

Determination of Directors' Remuneration

The remuneration of the Directors was determined with reference to the operating results of the Company, industry benchmarks and dedication of time by the Directors and their job responsibilities. Apart from basic salaries, the Directors are entitled to a discretionary bonus subject to the operating results of the Group, prevailing market conditions as well as the performance of the respective Directors.

Nomination Committee

The Nomination Committee is mainly responsible for setting highly transparent procedures of appointing new directors and director succession plans and making recommendations to the Board for candidates of new directors or for filling casual vacancies of the Board. The process of nomination starts from recommending a candidate to the committee by the controlling shareholder of the Company, after which the committee will submit the candidate to the Board for consideration in accordance with the benchmark of the Board Diversity Policy and based on the working experience, expertise and education background required for the position and the time and effort that the candidate may contribute to the Company.

As of the date of this report, members of the Nomination Committee included four Independent Non-Executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis and Mr. Cheng Hoi Chuen, Vincent, as well as representatives from the management, namely Mr. Li Han Sheng and Mr. Guo Fa Yong. Dr. Lo Ka Shui is the chairman of the committee while the Company Secretary acts as the committee secretary.

Major Work Done by the Nomination Committee

In 2013, the Nomination Committee held two meetings, both in the form of written resolutions. The matters considered included the nomination of new Directors to the Board and review of the structure, size and composition of the Board etc. As the members of the Board come with different professional perspectives, and in terms of the background of our major shareholder and operation model of the Company, the committee is of the view that the Board basically demonstrates a diversified composition and structure.

EXECUTIVE MANAGEMENT

Management Executives

The duties of the Executive Committee as authorized by the Board are delegated to the Management Executives under the committee and will be performed by the respective functional departments. As of the date of this report, members of the management executives included Mr. Zhou Jie, Mr. Lu Shen, Mr. Zhou Jun, Mr. Ni Jian Da, Mr. Xu Bo and Mr. Li Han Sheng. The functional departments of the Company included Administration, Company Secretarial, Corporate Communications, Finance, Human Resources, Internal Audit, Legal, Investment Operations and Shanghai Regional Head Office.

Investment Appraisal Committee

The Company has established an Investment Appraisal Committee to evaluate the viability of its investment projects from different perspectives. Professional views are given by various functional departments based on the Company's overall business investment strategies. After studying carefully the key project elements, such as industry background, organizational structure, business development plans, return on investment, financial and legal risk issues, the committee will form independent professional opinion and submit its recommendations and reports to the management executives for consideration. Such appraisals will then be submitted to the Executive Committee for approval according to procedures governing corporate investment decision-making processes. The Investment Appraisal Committee mainly comprises representatives from functional departments at the Hong Kong headquarters. Current members of the committee are the Head of the Investment Operations Department, the Company Secretary and Chief Legal and Compliance Officer and the Chief Financial Officer. During the year, the Investment Appraisal Committee conducted appraisals on 19 projects.

ACCOUNTABILITY AND AUDITING

Appointment of External Auditor

In considering the re-appointment of external auditors, the Audit Committee has taken into consideration its relationship with the Company and its independence in the provision of non-audit services. An independence report has already been submitted to the committee by the external auditor. Pursuant to the above, the Audit Committee has recommended the Board to re-appoint Deloitte Touche Tohmatsu as the external auditor for the Company for 2014, subject to approval by shareholders at the annual general meeting to be held on 28 May 2014.

The audit fee of the external auditor for 2013 amounted to HKD15,880,000. The Company has also established the Policies on Provision of Non-audit Services by External Auditor, and non-audit services were reported to the Audit Committee each year. The fees for the non-audit services provided to the Group by the Company's external auditor (including its affiliates) for the year were as follows:

Fees for non-audit services	**2013** (HKD'000)	**2012** (HKD'000)
Financial due diligence of acquisition project	4,191	1,959
Tax consultation fee	331	112
Others	2,093	8,225
Total	**6,615**	**10,296**

Preparation of Financial Statements

The financial statements and interim report of the Company were prepared in accordance with the disclosure requirements set forth in Appendix 16 to the Listing Rules and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The Board is responsible for preparing and reviewing the Group's accounts to ensure that they give a true and fair view on the financial position as well as the profits and cash flows of the Company. The Company has consistently applied appropriate accounting policies, and has made prudent and reasonable judgments and estimates and prepared its accounts on a going concern basis. The external auditor stated in the independent auditor's report its reporting responsibilities on the relevant financial statements, and such report is set out on pages 63 and 64 of this Annual Report.

In accordance with the Corporate Governance Code, arrangements have been made by the management to provide monthly management updates to the Directors setting out updated information on the performance, financial status and prospects of the Company, to assist the Directors in performing their duties under the Listing Rules.

Internal Control

The Board is responsible for ensuring a sound, proper and effective internal control system of the Group so as to safeguard the assets of the Company and the investments of the shareholders. The Board also endeavors to maintain sound risk management and internal control systems. An Internal Audit Department has been established for monitoring the prudent and effective operation of the internal control system of the Group (including all its major member companies) and respective reports will be regularly made to the Audit Committee and the Board on a quarterly basis. The internal audit system is currently conducted in a cycle of three years. Internal audits will be conducted for direct subsidiaries within the Group for the purpose of risk assessment according to the significance of the respective projects.

For the year ended 31 December 2013, the Company has collected information and carried out investigation in respect of internal control issues for its subsidiaries. No material deviation in the compliance with guidance on internal controls by the subsidiaries was reported. These subsidiaries have complied with the relevant laws and industry regulations in respect of legal compliance. No material non-compliance of rules or material litigation risk was reported, nor was there any fraud or corruption issue. In addition, the Board and the Audit Committee considered that the resources allocated, staff qualification and experience in respect of the accounting and financial reporting functions of the Company as well as training programs and budget were adequate and sufficient.

SHAREHOLDERS

As at 31 December 2013, SIIC, the controlling shareholder of the Company, indirectly held 616,477,748 shares of the Company (excluding the interest in the underlying shares and short positions) with a shareholding percentage at approximately 56.94% (excluding the underlying Shares). The percentage of public shareholding was approximately 43.06%.

Connections with Shareholders, Other Stakeholders and Investors

The Company has established the Shareholders' Communication Policy to ensure that shareholders can exercise their powers in an informed manner, and to allow shareholders and investors to improve communications with the Company. In addition, the Board attaches great importance to shareholders' opinion. Each annual general meeting has been taken as an opportunity to communicate directly with shareholders and the questions raised by them will be addressed. Shareholders, other stakeholders and investors are also welcome to voice their concerns and valuable opinions by way of e-mails, telephone and in writing (details of which are contained on page 3 under the Section "Shareholders Enquiries" of this Annual Report). These will be directed to the Company Secretary and forwarded to the Board.

Proceedings at General Meeting

The Company has established proceedings at general meetings which are subject to review and amendments according to regulatory requirements from time to time. During the year, at the general meetings of the Company, the chairman of the meeting exercised the power conferred under the articles of association of the Company that all voting for each proposed resolution was conducted by way of poll, with detailed procedures for voting by poll being provided to shareholders and all questions raised regarding voting being answered as well. Poll results were published by official announcements on the same day of such general meetings after they had been held, while the same were uploaded on the website of the Company and the website of the Stock Exchange for perusal by shareholders.

Rights of Shareholders

Shareholders who wish to convene an extraordinary general meeting and move a motion thereat shall abide by the provisions under the new Companies Ordinance and the articles of association of the Company. Details of the relevant requirements and procedures are set out in the relevant sections of "Corporate Governance" in the Company's website.

Convening a General Meeting

Pursuant to Section 566 of the new Companies Ordinance, shareholders representing at least 5% of the total voting rights of all shareholders are entitled to convene a general meeting. The request which may consist of several documents in like form must state the general nature of the business to be dealt with at the general meeting and may include the text of the resolutions proposed. It must be authenticated by the person making such requisition which must be sent to the Company in printed or electronic form for the attention of the Company Secretary.

Moving a Motion at General Meeting

Pursuant to Section 615(2) of the new Companies Ordinance, (1) shareholders representing at least 2.5% of the total voting rights of all shareholders; or (2) at least 50 shareholders with voting rights at the general meeting concerned may send their duly signed request to the Company in printed or electronic form for the attention of the Company Secretary for matters to be dealt with at a general meeting of the Company.

Recommendations of Director Candidates

In addition, pursuant to article 105 of the articles of association of the Company, if a shareholder intends to nominate a person other than the retiring Directors for election as a Director at a general meeting, he/she shall deposit a written notice of such nomination to the Company's registered office for the attention of the Company Secretary within a period of seven days commencing on the following day after the dispatch of the notice of such meeting.

INVESTOR RELATIONS

The Company has kept active communication with the investors. Apart from participating in major investor conferences to keep the Company's presence in the investment markets, the Company also organized activities to help investors better understand our environmental business, especially for investments in the water service projects as well as the mergers and acquisitions and fund raising initiatives in the infrastructure facilities segment completed during the year. These has helped strengthen the ties between investors and our flagship subsidiary SIIC Environment. We participated in 12 investor forums and conferences where we were able to keep investors abreast of our latest development and future prospects.

Meanwhile, in order to keep investors better informed of our infrastructure business development, in particular the water services sector, we organized plant visits for analysts and fund managers to our water service assets located in Shenzhen, Wuhan and Shanghai. To maximize media exposure, briefing sessions on infrastructure business were also held for the press to enhance our leading position in the environmental business.

CONSTITUTIONAL DOCUMENTS

There were no significant changes in the Company's constitutional documents during the year. Nonetheless, in view of the new Companies Ordinance which was in effect on 3 March 2014, the Company will amend the articles of association of the Company according to relevant provisions, and will present this agenda for approval by our shareholders at the forthcoming extraordinary general meeting to be held on 28 May 2014.

COMPANY SECRETARY

The Company Secretary is mainly responsible for sound information communication among the members of the Board and the compliance of the policy and procedures of the Board and all applicable rules and regulations. The Company Secretary maintains a close relationship with each Director and the management and provides assistance and advice to the members of the Board when necessary. Also, the Company Secretary is responsible for providing opinion to the Chairman, Chief Executive Officer, other members of the Board and the management in respect of corporate governance from time to time and provides induction materials and arranges continuous professional development programmes for the Directors. The selection, appointment and dismissal of the Company Secretary are approved by the Board. Brief biographical details of the Company Secretary are set out on page 49 of this Annual Report and the Company's website.

HUMAN RESOURCES

Remuneration and Benefits Policies

Through its performance appraisal mechanism, the Group carries out annual reviews in accordance with its business performance, individual staff performance and industry average remuneration, in order to provide a reasonable and competitive compensation package for its employees.

Staff (including Directors) salaries, allowances and bonuses totaled HK$866 million for the year (2012: HK$718 million). Details of Directors' remuneration paid for the year ended 31 December 2013 are set out in Note 13 to the financial statements. The remuneration payable to senior management of the Company by band for the year ended 31 December 2013 was as follows:

Remuneration by band (HK$)	2013 Number of individuals
0 – 2,000,000	2
Over 2,000,000	1
	3

Note: In the remuneration band above, one member of the senior management resigned in June 2013, while another member of the senior management was appointed in June 2013.

In order to ensure effective recruitment and successful retention of talents, the Group offers, in addition to salaries, allowances and bonuses, a compensation package to its staff that include cash allowances as well as medical and personal accident insurance. The Company also operates a defined contribution pension scheme for its qualified employees. Furthermore, in compliance with the Mandatory Provident Fund Schemes Ordinance, all employees are required to participate in the mandatory provident fund scheme. The assets of the two schemes are administered separately by independent custodian(s) in accordance with the relevant laws and regulations.

Share Options

The Company adopted the SIHL New Scheme and terminated the SIHL Scheme at the extraordinary general meeting held on 25 May 2012. Up to 31 December 2013, 42,457,000 share options remained outstanding and unexercised. Apart from that, no share options were granted or outstanding under the SIHL New Scheme during the year.

The SI Urban Development Scheme adopted by SI Urban Development, a subsidiary of the Company, on 12 December 2002 was expired on 11 December 2012, and SI Urban Development New Scheme was adopted at the annual general meeting held on 16 May 2013. As at 31 December 2013, 57,750,000 share options remained outstanding and unexercised. Apart from that, no share options were granted or outstanding under the SI Urban Development New Scheme during the year.

SI Environment, a subsidiary of the Company, adopted the SI Environment Scheme and terminated its existing share option scheme at the extraordinary general meeting held on 27 April 2012. Up to 31 December 2013, no share options were granted or outstanding under the SI Environment Scheme.

Details of the SIHL Scheme, SIHL New Scheme, SI Urban Development Scheme, SI Urban Development New Scheme and SI Environment Scheme are set out in Note 41 to the financial statements.

Human Resources

The Group has an outstanding team of employees who have complied with various working rules, codes of practice as well as principles and moral standards established by the Company. The continued and due diligence efforts of the employees taking up respective responsibilities are the key driving forces behind the sustainable growth of the Group. With a strong commitment to staff relationship and training, a number of staff activities were held to enhance mutual trust and communication while promoting the exchange of knowledge among themselves. Meanwhile, we encourage our employees to continue their education, add value both for themselves, enhance the quality of the staff, and contribute more to the Company.

For the year ended 31 December 2013, the Group employed 10,627 staff (2012: 10,971), of whom about 94.04% (2012: 94.23%) were stationed in mainland China and the remaining 5.96% (2012: 5.77%) were Hong Kong and overseas employees. The ratio of male to female staff was 61.7: 38.3 (2012: 63.3: 37.7). The distribution of employees according to business segment was as follows:

	Percentage
Infrastructure Facilities	24.06%
Real Estate	56.28%
Consumer Products	19.66%

CORPORATE SOCIAL RESPONSIBILITIES

Environmental Protection

Over the years, the Group has endeavored to promote the importance of environmental protection. During the year, the Company and related subsidiaries have all complied with respective environmental protection laws and regulations, and have passed all respective environmental audits. The launching of electronic office platforms has brought into reality a paperless and network operation. The Group also injected resources to improve environmental protection aspects, reduce noise, recycle wastes and ensure the quality of green efforts. Wing Fat Printing and Nanyang Tobacco launched low carbon office and green office respectively in order to reduce noise and carbon emission in compliance with the environmental protection requirements. Over the years SI Environment and its member companies have strived to improve good working environment to reduce waste water at its facilities locations as well as COD contents. The water generated by its Anxi factory has reached Grade One B standard for sewage emission during its trial operation. SI Development held a group plantation activity under the theme of "Beautiful China – SI Development in Action", to add more greenery to the environment. The staff of SI Urban Development and its member companies participated in the beach cleaning activity of "Hands in Hands in Shanghai • Urban Development with Love". Our member companies have adhered to green energy saving and low carbon emission policies while a number of property projects have won the Xuhui District energy saving awards for consecutive years. Others were able to reduce dust and noise in construction sites, eliminating the impact of the surrounding environment.

Social Welfare

The Group plays an active part in charity and welfare activities for the well-being of the society. During the New Year and Lunar New Year holidays, a number of our member companies organized their staff to take part in social and charitable activities. Wing Fat Printing and its subsidiaries actively participated in activities that manifested care from the business community and made donations to the earthquake affected region. Volunteer teams have been formed by employees of SI Urban Development and its subsidiaries who paid regular visits to elderly and child welfare homes; organized charity activities like campus tennis matches, marathon race; provided free advertising posts for the promotion of government charity; supported poverty and the relief and sponsored education; participated in blood donation; engaged in transport volunteer activities and performed corporate social responsibilities. SI Urban Development also participated in the "Benevolence in Heart, Charity in Action" – a charity clothes donation activity of the city; set up the "Urban Development Charity" to sell redundant articles and donated the proceeds to charities; participated in "Joining Hands in Shanghai • Starry Nights under Campfire", a kid photography charity summer camp activity and the charity training activity of "Village Teacher". SI Development and its subsidiaries also actively took part in donation, scholarship and poverty alleviation.

By Order of the Board
Yee Foo Hei
Company Secretary

31 March 2014

DIRECTORS

Executive Directors

Mr. WANG Wei ***Executive Director, Chairman***

(Appointed on 25 June 2013 ~ Present)

Mr. Wang, aged 59, is the chairman of Shanghai Industrial Investment (Holdings) Company Limited. He holds a college degree and is designated a senior policy advisor. Mr. Wang was division head of the Shanghai Electrical and Mechanical Bureau, head of the grass-roots unit division of the Metallurgical Mining Machinery Co. under the Shanghai Electrical and Mechanical Bureau, general manager of Shanghai Mechanical Engineering Integrated Plant Co., deputy director and director of the Shanghai Civil Affairs Bureau, chairman of Shanghai Agricultural, Industrial and Commercial (Group) Corp. (now as Bright Food (Group) Corporation Ltd.), deputy chief of the General Office of the Shanghai Municipal Government, a full-time deputy secretary-general of the executive committee of 2007 Special Olympics World Summer Games and deputy secretary-general of the Shanghai Municipal Government. He has extensive experience in the leadership role in government authorities and in corporate operation and management.

Mr. ZHOU Jie ***Executive Director, Vice Chairman, Chief Executive Officer***

(Appointed on 5 January 2002 ~ 18 January 2004
Re-appointed on 19 November 2007 ~ Present)

Mr. Zhou, aged 46, is an executive director and the president of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), the chairman of Nanyang Brothers Tobacco Company, Limited, a director of The Wing Fat Printing Company, Limited and certain other subsidiaries of the Group. Mr. Zhou graduated from Shanghai Jiaotong University with a master's degree in management science and engineering. He is a non-executive director of Shanghai Pharmaceuticals Holdings Co., Ltd. and Semiconductor Manufacturing International Corporation. He was the deputy general manager of the investment banking head office of Shanghai Wanquo Holdings Ltd. (now Shenyin & Wanguo Securities Co., Ltd.). He joined SIIC in May 1996 and had held the positions of the chairman and general manager of Shanghai S.I. Capital Co., Ltd. He has over 20 years' experience in corporate management, investment banking and capital markets operation.

Mr. LU Shen ***Executive Director, Executive Deputy CEO***

(Appointed on 19 January 2004 ~ 19 December 2005
Re-appointed on 25 April 2012 ~ Present)

Mr. Lu, aged 57, is an executive director and the executive vice president of Shanghai Industrial Investment (Holdings) Company Limited, the chairman of Shanghai Industrial Development Co., Ltd. ("SI Development") and a director of certain other subsidiaries of the Group. Mr. Lu joined the Group as an executive director of SIIC Medical Science and Technology (Group) Limited in September 2003. He graduated from Shanghai Technology University with a bachelor's degree in wireless engineering and obtained a master's degree in business administration from Shanghai Jiaotong University, and is designated a senior economist. Mr. Lu was the chairman of Shanghai City Hotel, a director and deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., a director and general manager of Shanghai Industrial United Holdings Co., Ltd., the chairman of Shanghai Far East International Bridge Construction Co., Ltd. and the vice chairman and president of SI Development. He has extensive working experience in corporate management.

Mr. ZHOU Jun ***Executive Director, Deputy CEO***

(Appointed on 15 April 2009 ~ Present)

Mr. Zhou, aged 45, is an executive director and a vice president of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"). He is also the executive chairman of SIIC Environment Holdings Ltd., the chairman of SIIC Management (Shanghai) Ltd., Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Luqiao Development Co., Ltd., Shanghai Shen-Yu Development Co., Ltd., SIE Water Co., Ltd. and Nanyang Water Co., Ltd., an executive director of Shanghai Industrial Urban Development Group Limited and a director of Shanghai Urban Development (Holdings) Co., Ltd. and certain other subsidiaries of the Group. He is also an independent non-executive director of Zhejiang Expressway Co., Ltd. He graduated from Nanjing University and Fudan University with a bachelor's and a master's degree in economics (international finance), and is designated an economist. He was appointed as a Deputy CEO of the Company in December 2005 and currently is the chairman of Shanghai Galaxy Investments Co., Ltd. ("Shanghai Galaxy"). He worked for Guotai Securities Co., Ltd. (now Guotai Junan Securities Co.) before joining SIIC in April 1996. The management positions he had held within the SIIC group of companies were deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., deputy general manager of Shanghai United Industrial Co., Ltd., director and general manager of Shanghai Galaxy and general manager of the strategic investment department of SIIC. Mr. Zhou has nearly 20 years' professional experience in mergers and acquisitions, securities, finance, real estate, project planning and corporate management.

Mr. NI Jian Da ***Executive Director, Deputy CEO***

(Appointed on 20 February 2014 ~ Present)

Mr. Ni, aged 50, has been a Deputy CEO of the Company since February 2008. He is also an executive director of Shanghai Industrial Investment (Holdings) Company Limited, the chairman of Shanghai Industrial Urban Development Group Limited ("SI Urban Development"), the chairman and president of Shanghai Urban Development (Holdings) Co., Ltd. ("Shanghai Urban Development") and a director of certain other subsidiaries of the Group. Mr. Ni graduated from Shanghai University and La Trobe University of Australia with a master's degree in business administration. He was the president of SI Urban Development, the general manager of Shanghai Xuhui Real Estate Management Co., Ltd., a deputy general manager of Shanghai Urban Development and the general manager of the real estate department of China Huayuan Group Ltd., and has more than 20 years' professional experience in real estate, economics and management. Mr. Ni was elected member of the Shanghai Municipal People's Congress in 2003, and received the honors as one of the 25 Chinese Entrepreneurs with Most Reforming Ideas, among the Top Ten Persons of the Year Elected by the 2006 China International Real Estate and Archi-tech Fair, one of the 2007 Boao Forum Most Influential Persons in China's Real Estate Industry in 20 Years and one of the Top Ten Entrepreneurs in the Shanghai Real Estate Sector in 18 Years in 2005. He was a vice chairman of Shanghai Youth Federation and is currently the honorary chairman of Shanghai Young Entrepreneurs Association and the chairman of Shanghai Real Estate Association.

Mr. XU Bo ***Executive Director, Deputy CEO***

(Appointed on 28 December 2012 ~ Present)

Mr. Xu, aged 51, is a vice president, the chief financial controller and the general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Company Limited, a director of Nanyang Brothers Tobacco Company, Limited, and certain other subsidiaries of the Group. He holds a bachelor's degree and a master's degree in business administration and is designated a deputy professor. Mr. Xu was an executive deputy officer of the accounting department of Shanghai Lixin University of Commerce, a deputy general manager and chief financial officer of Shanghai Hualian Co., Ltd., an executive director, deputy general manager and chief financial officer of Shanghai Bailian Group Co., Ltd., a vice president of Bailian Group Co., Ltd. and a non-executive director of Lianhua Supermarket Holdings Co., Ltd. He has over 20 years' experience in accounting and corporate management.

Independent Non-Executive Directors

Dr. LO Ka Shui ***Independent Non-Executive Director***
(Appointed on 15 March 1996 ~ Present)

Dr. Lo, aged 67, is the Chairman and Managing Director of Great Eagle Holdings Limited, the Chairman and Non-executive Director of Eagle Asset Management (CP) Limited (the Manager of the publicly listed Champion Real Estate Investment Trust) and LHIL Manager Limited (the Trustee-Manager of the publicly listed Langham Hospitality Investments). He is an Independent Non-executive Director of Phoenix Satellite Television Holdings Limited, China Mobile Limited and City e-Solutions Limited. Dr. Lo is also a Vice President of The Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority and a Vice Chairman of The Chamber of Hong Kong Listed Companies. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than 30 years' experience in property and hotel development and investment both in Hong Kong and overseas.

Prof. WOO Chia-Wei ***Independent Non-Executive Director***
(Appointed on 15 March 1996 ~ Present)

Prof. Woo, aged 76, is currently Senior Advisor of Shui On Holdings Limited and President Emeritus of the Hong Kong University of Science and Technology. In addition, Prof. Woo is an independent non-executive director of First Shanghai Investments Limited, a Hong Kong listed company.

Mr. LEUNG Pak To, Francis ***Independent Non-Executive Director***
(Appointed on 15 March 1996 ~ Present)

Mr. Leung, aged 59, has over 30 years of experience in corporate finance involving in capital raisings, mergers and acquisitions, corporate restructuring and reorganisation, investments and other general corporate finance advisory activities in Hong Kong and China. He is the chairman and non-executive director of Imagi International Holdings Limited, a non-executive director of Sun Hung Kai & Co. Limited and a member of the 12th National Committee of the Chinese People's Political Consultative Conference. In 1980, he graduated with a master's degree in business administration from University of Toronto, Canada.

Mr. CHENG Hoi Chuen, Vincent ***Independent Non-Executive Director***
(Appointed on 13 November 2012 ~ Present)

Mr. Cheng, aged 65, is the adviser to the group chief executive of HSBC Holdings plc and is also an independent non-executive director of Great Eagle Holdings Limited, MTR Corporation Limited, Hui Xian Asset Management Limited (manager of the publicly listed Hui Xian Real Estate Investment Trust), CLP Holdings Limited, China Minsheng Banking Corp., Ltd. and Wing Tai Properties Limited. He is the former chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Limited. Mr. Cheng is the chairman of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR and a member of the Advisory Committee on Post-service Employment of Civil Servants, a vice patron of Community Chest of Hong Kong and the chairman of the Council of The Chinese University of Hong Kong. He is also a senior adviser to the Beijing Municipal Committee of the National Committee of the Chinese People's Political Consultative Conference ("CPPCC") and was a member of the National Committee of CPPCC. He was conferred the doctoral degree of social science, honoris causa, by The Chinese University of Hong Kong and the doctoral degree of business administration, honoris causa by The Open University. Mr. Cheng also holds a bachelor of social science degree in economics from The Chinese University of Hong Kong and a master of philosophy degree in economics from The University of Auckland, New Zealand.

Senior Management

Mr. LI Han Sheng

Mr. Li, aged 50, was appointed a Deputy CEO of the Company in April 2012. He is also a director and general manager of human resources department of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"). He graduated from East China University of Science and Technology, Shanghai Technology University and Murdoch University with a bachelor's degree of science in engineering, a master's degree in computer science and a master's degree in business administration, and is designated a senior engineer. He was an officer of the information centre of Shanghai Wugang Holdings Ltd. engaged in enterprise management and information technology. He joined SIIC in September 1999, and was the assistant general manager of operations management and cooperation department, deputy general manager of the administration department and secretary to chairman. He was also the head of the information technology department of the Company. He has more than 20 years' experience of corporate management and information technology.

Mr. FENG Jun

Mr. Feng, aged 50, was appointed an Assistant CEO and the Chief Investment Officer of the Company in June 2013. He is also an executive director of SIIC Environment Holdings Ltd. and a director of Nanyang Brothers Tobacco Company, Limited. He graduated from the Economics and Management School of Wuhan University and obtained a master's degree in economics. Mr. Fung was a deputy manager of trust department of Shanghai International Trust Co., a director and vice president of SIIC Investment Company Limited and a director and deputy general manager of The Tien Chu (Hong Kong) Company Limited. He has over 25 years' experience in capital markets operation.

Professional Staff

Mr. YEE Foo Hei, Jackson

Mr. Yee, aged 50, joined the Company in September 2010. He is the Company Secretary and the Chief Legal and Compliance Officer of the Company. He graduated from City Polytechnic of Hong Kong (now City University of Hong Kong) and University of Wolverhampton, UK with a professional diploma in company secretaryship and administration and a LLB degree respectively. Mr. Yee is a fellow member of The Hong Kong Institute of Chartered Secretaries, The Institute of Chartered Secretaries & Administrators and The Association of Chartered Certified Accountants. Mr. Yee has more than 20 years' practical company secretarial experience in international accountancy firm, multi-national conglomerate and large-scale PRC stated-owned enterprise.

Ms. CHAN Yat Ying, Cherie

Ms. Chan, aged 46, joined the Company in November 1996. She is the Chief Financial Officer and an Assistant CEO of the Company and a director of certain other subsidiaries of the Group. Ms. Chan is also a deputy general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Company Limited and a member of the supervisory committee of Shanghai Industrial Development Holdings Company Limited. She graduated from University of Hong Kong with a bachelor's degree in social sciences. She also holds a master's degree in financial management awarded by the University of London. Ms. Chan is a member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Chinese Institute of Certified Public Accountants. She has extensive working experience in banking and accounting professions.

Senior Management of Member Companies

Mr. JI Gang

Mr. Ji, aged 56, is a director of Shanghai Industrial Investment (Holdings) Company Limited, the vice chairman and president of Shanghai Industrial Urban Development Group Limited and a director of certain other subsidiaries of the Group. He graduated from Fudan University with a master's degree in economics and is designated a senior economist. Mr. Ji was the vice chairman and president of Shanghai Industrial Development Co., Ltd., the general manager of Zhongya Hotel, the chairman and general manager of Shanghai Everbright City Services Co., Ltd., an officer of the Commercial Committee and Economic Committee of the Municipal People's Government of Zhabei District, Shanghai, a vice president of SIIC Dongtan Investment & Development (Holdings) Co., Ltd., the president of Shanghai SIIC Urban Development Investment Co., Ltd. and an executive director and the president of SIIC Investment Co., Ltd. etc. He has over 36 years' experience in corporate management.

Mr. TANG Jun

Mr. Tang, aged 46, is a director and president of Shanghai Industrial Development Co., Ltd. and the chairman of Shanghai Feng Mao Property Company Limited, Shanghai Feng Fe Property Company Limited and Shanghai Lake City Co., Ltd., and a director of certain other subsidiaries of the Group. He graduated from University of South Australia with a master's degree in business administration and holds the designation of a senior auditor, and is an associate of The Chinese Institute of Certified Public Accountants. Mr. Tang was an Executive Director of the Company, the general manager of the internal audit department and deputy general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Company Limited and the Deputy Director of the Foreign Funds Utilization Audit Department, Shanghai Municipal Audit Office, and has over 10 years' practical experience in the fields of auditing and finance.

Mr. XU Xiao Bing

Mr. Xu, aged 47, is a director and the general manager of SIIC Management (Shanghai) Ltd. ("SIIC Management"), the vice chairman of General Water of China Co., Ltd., a director of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Luqiao Development Co., Ltd., Shanghai Shen-Yu Development Co., Ltd., SIE Water Co., Ltd., Shanghai SIIC South Pacific Hotel Co., Ltd. and the chief representative of Shanghai Representative Office of the Company. Mr. Xu graduated from Peking University with a master's degree in business administration. He was an investment and financial analyst of Beijing Jingfang Investment Management & Consultant Co., Ltd. under the Beijing Capital Group, and the deputy head of the investment planning department, the head of the enterprise management department and the deputy general manager of SIIC Management. He has over 10 years' experience in corporate management and investment planning.

Mr. DAI Wei Wei

Mr. Dai, aged 45, is a director and the general manager of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. and Shanghai Shen-Yu Development Co., Ltd. as well as a director of Shanghai Luqiao Development Co., Ltd. Mr. Dai graduated from Shanghai Tongji University and Fudan University and obtained a bachelor's degree in engineering and a master's degree in business administration respectively. He worked in Shanghai Mass Transit Railway Corporation, Shanghai Municipal Engineering Administration, Shanghai Jiajin Highway Development Co., Ltd. and SIIC Management (Shanghai) Ltd. He has over 20 years' experience in construction and management of infrastructure.

Mr. CHEN Wei Yi

Mr. Chen, aged 53, is a director and the general manager of Shanghai Luqiao Development Co., Ltd., a director of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. and Shanghai Shen-Yu Development Co., Ltd. Mr. Chen graduated from The People's Liberation Army of Institute of Electronic Engineering majored in radar engineering and obtained a bachelor's degree of science in engineering, and is designated a senior engineer. He was the deputy general manager of Shanghai Huang Pu River Tunnel and Bridges Development Co., Ltd. and the general manager of Shanghai CITIC Tunnel Development Co., Ltd. He has extensive experience in operation management and maintenance of bridge, tunnel and highway.

Ms. LIU Yu Jie

Ms. Liu, aged 50, is an executive director of SIIC Environment Holdings Ltd. ("SI Environment"). Prior to joining SI Environment, she was the general manager of the capital operation department of General Water of China Co., Ltd. and the general manager of Yuanshui Technology (Beijing) Ltd. She graduated from University of International Business and Economic in Beijing and obtained a master's degree in business administration. Ms. Liu has been working in Hong Kong, Singapore and the PRC for over 20 years in total and is familiar with the business environment and regulatory system of the three places. She has comprehensive experience in capital market, business promotion and corporate management: participated in IPO and underwriting of over 30 companies on the Hong Kong stock exchange; led and completed merger and acquisition of three companies in Hong Kong and Singapore; assisted capital raising and management of large-scale industrial fund for investment in China; acted as executive directors of listed companies in Hong Kong and Singapore which engage in utilities and infrastructure investment. She is a board member of six environmental and resources companies.

Mr. YANG Zhang Min

Mr. Yang, aged 51, is an executive director of SIIC Environment Holdings Ltd. and a director and general manager of SIE Water Co., Ltd. Mr. Yang graduated from Tongji University with a bachelor's degree in environmental engineering and the School of Economic and Management of Tsinghua University with a master's degree in EMBA. He was the general manager of Shenzhen Longgang Baolong Industrial Co. and the chairman and general manager of Shenzhen Longgang Guotong Industrial Co., Ltd. He was the founder of United Environment Co. in the year 2003 and had been the chairman and general manager for years. He has over 20 years' experience in operation and management of water and environmental protection investment as well as project and administrative management.

Mr. QIAN Yi

Mr. Qian, aged 60, is the vice chairman and the general manager of Nanyang Brothers Tobacco Company, Limited and a director of certain other subsidiaries of the Group. He graduated from Fudan University with a bachelor's degree in enterprise management and obtained a master's degree in business administration from East China Normal University. He holds the designation of senior economist. Mr. Qian was an Executive Director and a Deputy CEO of the Company, the vice chairman and the executive president of Shanghai Sunway Biotech Co., Ltd., deputy head of Shanghai Boiler Works Ltd., deputy chief economist of Shanghai Electric (Group) Corp. and the head of Shanghai Heavy Machinery Plant. He has extensive experience in enterprise management.

Mr. XU Guo Xiong

Mr. Xu, aged 57, is the chairman and chief executive officer of The Wing Fat Printing Company, Limited. He is also the chairman of The Wing Fat Printing (Hong Kong) Limited and Wingfat (Dongguan) Printing Co., Ltd. Mr. Xu graduated from Shanghai Normal University majored in Chinese language and literature and Asia International Open University (Macau) with a master's degree in business administration, and is designated a senior policy advisor. He was the president and executive director of the Shanghai Pharmaceuticals Holdings Co., Ltd., an executive director and vice president of Shanghai Pharmaceutical (Group) Co., Ltd., the general manager's assistant and deputy general manager of Shanghai Bicycle Group Co., Ltd, the general manager of the department of industry and the president's assistant of China Hua Yuan Group Co., Ltd, the vice chairman and general manager of Hua Yuan Kai Ma Machinery Co., Ltd., the vice chairman of the China Pharmaceutical Industry Research and Development Association and the vice chairman of China Pharmaceutical Industry Association. He has extensive experience in the decision-making and operations management in large enterprises.

Mr. JIN Guo Ming

Mr. Jin, aged 53, is a director and the general manager of The Wing Fat Printing Company, Limited. He is also the chairman of Wingfat (Sichuan) Printing Co., Ltd. and Zhejiang Rongfeng Paper Co., Ltd. He graduated from Zhejiang Institute of Metallurgy Economic and obtained a master's degree in business management from South Australia University. He holds the designation of international business engineer. Mr. Jin has over 30 years of experience in the printing and packaging industry.

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the business of infrastructure facilities, real estate and consumer products.

PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of the principal subsidiaries, joint ventures and associates as at 31 December 2013 are set out in Notes 54, 55 and 56 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss on page 65 of this Annual Report.

An interim dividend of HK42 cents per share amounting to HK$454,111,000 was paid to the shareholders during the year. The Directors recommend the payment of a final dividend of HK45 cents per share to the shareholders whose names appear on the register of members of the Company on 4 June 2014.

FINANCIAL SUMMARY

A summary of the financial information of the Group for the year ended 31 December 2013 and the previous four years is set out on page 196 of this Annual Report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in Note 40 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in Note 42 to the consolidated financial statements respectively.

INVESTMENT PROPERTIES

As at 31 December 2013, the investment properties of the Group were revalued by independent property valuers with reference to market evidence of transaction prices for similar properties in similar locations and conditions, on the basis of income approach or investment approach, where appropriate, at approximately HK$9,779 million. Details are set out in Note 16 to the consolidated financial statements.

Particulars of the Group's major properties held for investment purposes as at 31 December 2013 are set out on pages 120 to 122 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group and the Company are set out in Note 17 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Wang Wei	*(Chairman)*	(appointed on 25 June 2013)
Zhou Jie	*(Vice Chairman & Chief Executive Officer)*	
Lu Shen	*(Executive Deputy CEO)*	
Zhou Jun	*(Deputy CEO)*	
Ni Jian Da	*(Deputy CEO)*	(appointed on 20 February 2014)
Xu Bo	*(Deputy CEO)*	
Teng Yi Long		(retired on 25 June 2013)
Qian Yi		(resigned on 20 February 2014)

Independent Non-Executive Directors

Lo Ka Shui
Woo Chia-Wei
Leung Pak To, Francis
Cheng Hoi Chuen, Vincent

The biographical details of the Directors are set out on pages 46 to 48 of this Annual Report. Details of Directors' emoluments are set out in Note 13 to the consolidated financial statements.

In accordance with the Company's articles of association, the Directors of the Company (including the Independent Non-Executive Directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Zhou Jie, Mr. Zhou Jun and Mr. Leung Pak To, Francis shall retire by rotation at the forthcoming annual general meeting. All of them, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

In accordance with the Company's articles of association, Mr. Wang Wei and Mr. Ni Jian Da who were newly appointed as Directors of the Company shall retire at the forthcoming annual general meeting. Both of them, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DISCLOSURE UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes in Directors' information since the date of the interim report 2013 up to the date of this report are set out below:

Mr. Zhou Jie

- appointed as the chairman of Nanyang Tobacco on 20 February 2014.

Mr. Zhou Jun

- resigned as the chairman of General Water of China on 23 January 2014.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(I) Interests in shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of issued ordinary shares held	Number of outstanding share options (Note 2)	Total	Approximate percentage of the issued share capital
Zhou Jie	Beneficial owner	Personal	333,000	1,530,000	1,863,000	0.17%
Lu Shen	Beneficial owner	Personal	–	1,350,000	1,350,000	0.12%
Zhou Jun	Beneficial owner	Personal	195,000	1,350,000	1,545,000	0.14%
Xu Bo	Beneficial owner	Personal	–	600,000	600,000	0.06%
Lo Ka Shui	Beneficial owner	Personal	766,560	216,000	982,560	0.09%
Woo Chia-Wei	Beneficial owner	Personal	–	216,000	216,000	0.02%
Leung Pak To, Francis	Beneficial owner	Personal	–	216,000	216,000	0.02%
Qian Yi (Note 3)	Beneficial owner	Personal	–	1,350,000	1,350,000	0.12%

Notes:

1. All interests stated above represent long positions.
2. Such long position represents underlying shares derived from unlisted and physically-settled derivatives.
3. Mr. Qian Yi resigned as a Director of the Company on 20 February 2014.

(II) Interests in shares and underlying shares of associated corporations

SI Urban Development

Name of Director	Capacity	Nature of interests	Number of outstanding share options (Note 2)	Approximate percentage of the issued share capital
Zhou Jun	Beneficial owner	Personal	7,000,000	0.15%
Ni Jian Da (Note 3)	Beneficial owner	Personal	8,000,000	0.17%

Notes:
1. All interests stated above represent long positions.
2. Such long position represents underlying shares derived from unlisted and physically-settled derivatives.
3. Mr. Ni Jian Da was appointed as a Director of the Company on 20 February 2014.

Shanghai Pharmaceuticals

Name of Director	Class of shares	Capacity	Nature of interests	Number of outstanding shares held	Approximate percentage of the issued share capital
Lu Shen	A share	Beneficial owner	Personal	6,440	0.0002%
Lo Ka Shui	H share	Founder of a discretionary trust	Other	4,000,000	0.15%

Note: All interests stated above represent long positions.

Save as disclosed above, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2013.

SHARE OPTIONS

Particulars of the share option schemes adopted by the Group are set out in Note 41 to the consolidated financial statements.

(I) SIHL Scheme

The SIHL Scheme was valid and effective for a period of 10 years commencing the date of its adoption and was terminated on 25 May 2012 as approved by the shareholders of the Company. During the year, the movements in the share options to subscribe for the Company's shares under the SIHL Scheme were as follows:

			Number of shares issuable under the share options				
	Date of grant	Exercise price per share HK$	Outstanding at 1.1.2013	Exercised during the year	Reclassified during the year	Cancelled during the year	Outstanding at 31.12.2013
Category 1: Directors							
Zhou Jie	2.11.2010	36.60	850,000	–	–	–	850,000
	20.9.2011	22.71	680,000	–	–	–	680,000
Lu Shen	2.11.2010	36.60	750,000	–	–	–	750,000
	20.9.2011	22.71	600,000	–	–	–	600,000
Zhou Jun	2.11.2010	36.60	750,000	–	–	–	750,000
	20.9.2011	22.71	600,000	–	–	–	600,000
Xu Bo	16.5.2012	23.69	600,000	–	–	–	600,000
Lo Ka Shui	2.11.2010	36.60	120,000	–	–	–	120,000
	20.9.2011	22.71	96,000	–	–	–	96,000
Woo Chia-Wei	2.11.2010	36.60	120,000	–	–	–	120,000
	20.9.2011	22.71	96,000	–	–	–	96,000
Leung Pak To, Francis	2.11.2010	36.60	120,000	–	–	–	120,000
	20.9.2011	22.71	96,000	–	–	–	96,000
Teng Yi Long (Note 1)	2.11.2010	36.60	1,200,000	–	(1,200,000)	–	–
	20.9.2011	22.71	960,000	–	(960,000)	–	–
Qian Yi (Note 2)	2.11.2010	36.60	750,000	–	–	–	750,000
	20.9.2011	22.71	600,000	–	–	–	600,000
Total			**8,988,000**	**–**	**(2,160,000)**	**–**	**6,828,000**
Category 2: Employees							
	2.11.2010	36.60	10,390,000	–	(840,000)	(380,000)	9,170,000
	20.9.2011	22.71	10,519,000	(1,387,000)	(416,000)	(96,000)	8,620,000
	16.5.2012	23.69	544,000	–	–	–	544,000
Total			**21,453,000**	**(1,387,000)**	**(1,256,000)**	**(476,000)**	**18,334,000**
Category 3: Others							
	2.11.2010	36.60	10,220,000	–	2,040,000	(820,000)	11,440,000
	20.9.2011	22.71	5,796,200	(1,115,600)	1,376,000	(201,600)	5,855,000
Total			**16,016,200**	**(1,115,600)**	**3,416,000**	**(1,021,600)**	**17,295,000**
Total for all categories			**46,457,200**	**(2,502,600)**	**–**	**(1,497,600)**	**42,457,000**

Notes:

1. Mr. Teng Yi Long retired as a Director of the Company on 25 June 2013.
2. Mr. Qian Yi resigned as a Director of the Company on 20 February 2014.

Share options granted in November 2010 are exercisable during the period from 3 November 2010 to 2 November 2015 in three batches, being:

- 3 November 2010 to 2 November 2011 (up to 40% of the share options granted are exercisable)
- 3 November 2011 to 2 November 2012 (up to 70% of the share options granted are exercisable)
- 3 November 2012 to 2 November 2015 (all share options granted are exercisable)

Share options granted in September 2011 are exercisable during the period from 21 September 2011 to 20 September 2016 in three batches, being:

- 21 September 2011 to 20 September 2012 (up to 40% of the share options granted are exercisable)
- 21 September 2012 to 20 September 2013 (up to 70% of the share options granted are exercisable)
- 21 September 2013 to 20 September 2016 (all share options granted are exercisable)

Share options granted in May 2012 are exercisable during the period from 17 May 2012 to 16 May 2017 in three batches, being:

- 17 May 2012 to 16 May 2013 (up to 40% of the share options granted are exercisable)
- 17 May 2013 to 16 May 2014 (up to 70% of the share options granted are exercisable)
- 17 May 2014 to 16 May 2017 (all share options granted are exercisable)

During the year, the weighted average closing price of the Company's shares immediately before the respective dates on which the share options were exercised is HK$27.70.

(II) SIHL New Scheme

The SIHL New Scheme shall be valid and effective for a period of 10 years commencing the date of its adoption. During the year, no options were granted or outstanding under the SIHL New Scheme.

(III) SI Urban Development Scheme

The SI Urban Development Scheme was valid and effective for a period of 10 years commencing the date of its adoption and expired on 11 December 2012. During the year, the movements in the share options to subscribe for SI Urban Development's shares under the SI Urban Development Scheme were as follows:

			Number of shares issuable under the share options			
	Date of grant	Exercise price per share HK$	Outstanding at 1.1.2013	Reclassified during the year	Cancelled during the year	Outstanding at 31.12.2013
Category 1: Directors of SI Urban Development, who are also Directors of the Company						
Zhou Jun	24.9.2010	2.98	7,000,000	–	–	7,000,000
Category 2: Other directors of SI Urban Development	24.9.2010	2.98	26,000,000	5,000,000	–	31,000,000
Category 3: Employees of SI Urban Development	24.9.2010	2.98	27,750,000	(12,000,000)	(3,000,000)	12,750,000
Category 4: Others	24.9.2010	2.98	–	7,000,000	–	7,000,000
Total for all categories			**60,750,000**	**–**	**(3,000,000)**	**57,750,000**

Share options are exercisable during the period from 24 September 2010 to 23 September 2020 in three batches, being:

- 24 September 2010 to 23 September 2011 (up to 40% of the share options granted are exercisable)
- 24 September 2011 to 23 September 2012 (up to 70% of the share options granted are exercisable)
- 24 September 2012 to 23 September 2020 (all share options granted are exercisable)

(IV) SI Urban Development New Scheme

The SI Urban Development New Scheme shall be valid and effective for a period of 10 years commencing the date of its adoption. During the year, no options were granted or outstanding under the SI Urban Development New Scheme.

(V) SI Environment Scheme

The SI Environment Scheme shall be valid and effective for a period of 10 years commencing the date of its adoption. During the year, no options were granted or outstanding under the SI Environment Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES OF THE COMPANY

Save as disclosed under the section "Share Options" above, at no time during the year was the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the interests and short positions of the substantial shareholders of the Company and other persons, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

Name of shareholder	Capacity	Nature of interests	Number of issued ordinary shares beneficially held	Approximate percentage of the issued share capital
SIIC	Interests held by controlled corporations	Corporate	616,477,748 (Notes 1 & 2)	56.94%

Notes:

1. SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited, SIIC Trading Company Limited, Billion More Investments Limited, SIIC Treasury (B.V.I.) Limited and SIIC CM Development Limited held 519,409,748 shares, 80,000,000 shares, 13,685,000 shares, 1,604,000 shares, 1,219,000 shares, 550,000 shares and 10,000 shares of the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforementioned companies.

2. All interests stated above represent long positions.

Save as disclosed above, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2013.

CONNECTED TRANSACTIONS

Details of the connected transactions and continuing connected transactions for the year are set out in Note 51(I) to the consolidated financial statements. Save as disclosed therein, there were no other connected transactions and continuing connected transactions, other than those which are exempt from the reporting, announcement and independent shareholders' approval requirements, which need to be disclosed as connected transactions and continuing connected transactions in accordance with the requirements of Appendix 16 to the Listing Rules.

Pursuant to Rule 14A.38 of the Listing Rules, the Directors engaged the auditor of the Company to perform certain works on continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has provided a letter to the Directors of the Company and confirmed that, for the year ended 31 December 2013, the continuing connected transactions:

(i) had received the approval of the Directors of the Company;
(ii) involving the provision of services by the Group, if any, had been entered into in accordance with the pricing policies of the Company;
(iii) had been entered into in accordance with the terms of the relevant agreements governing such transactions; and
(iv) had not exceeded the relevant cap amounts for the financial year ended 31 December 2013.

The Independent Non-Executive Directors have reviewed the continuing connected transactions set out in Note 51(I) to the consolidated financial statements and in their opinion, those transactions were entered into by the Group:

(i) in the ordinary course of business of the Group;
(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
(iii) in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year are set out in Note 51(II) to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, both the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total sales and purchases respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$6,035,000.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in Note 50 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events occurring after the reporting period are set out in Note 60 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this Annual Report, based on publicly available information and within the knowledge of the Directors of the Company, 43.06% of the issued share capital of the Company is held by the public.

The Company has maintained a sufficient public float throughout the year ended 31 December 2013.

CORPORATE GOVERNANCE

The corporate governance principles and practices adopted by the Company are set out in the Corporate Governance Report on pages 32 to 45 of this Annual Report.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Wang Wei
Chairman

Hong Kong, 31 March 2014

Deloitte.
德勤

TO THE MEMBERS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED
上海實業控股有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 65 to 195, which comprise the consolidated and Company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	6	21,567,724	19,286,910
Cost of sales		(15,261,364)	(13,703,878)
Gross profit		6,306,360	5,583,032
Net investment income	7	660,489	608,352
Other income		799,927	1,368,962
Selling and distribution costs		(872,222)	(698,935)
Administrative and other expenses		(1,982,151)	(1,827,951)
Finance costs	8	(1,199,557)	(1,031,715)
Share of results of joint ventures		79,730	27,520
Share of results of associates		22,788	13,512
Gain on disposal of assets through disposal of subsidiaries	45(IV)	819,125	–
Gain on disposal of Feng Shun	51(I)(h)	–	1,276,515
Gain on disposal of interests in subsidiaries, joint ventures and associates	9	215,116	668,876
Impairment loss on available-for-sale investments	10	(15,852)	(40,427)
Profit before taxation		4,833,753	5,947,741
Income tax expense	11	(1,389,533)	(1,621,251)
Profit for the year	12	3,444,220	4,326,490
Profit for the year attributable to			
– Owners of the Company		2,702,418	3,438,210
– Non-controlling interests		741,802	888,280
		3,444,220	4,326,490
		HK$	HK$
Earnings per share	15		
– Basic		2.500	3.184
– Diluted		2.374	3.182

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	3,444,220	4,326,490
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
– subsidiaries	1,287,314	314,328
– joint ventures	54,318	15,361
– associates	61,565	18,911
Fair value change on available-for-sale investments held by		
– subsidiaries	37,543	14,550
– a joint venture	3,075	(36,673)
Impairment loss on available-for-sale investments	15,852	–
Reclassification on disposal of available-for-sale investments	(11,306)	–
Reclassification of translation reserve upon disposal of		
– interests in subsidiaries	(3,699)	–
– interest in a subsidiary held for sale	(24,503)	(8,963)
– interest in a joint venture	–	(446)
Other comprehensive income for the year	1,420,159	317,068
Total comprehensive income for the year	4,864,379	4,643,558
Total comprehensive income for the year attributable to		
– Owners of the Company	3,546,446	3,613,170
– Non-controlling interests	1,317,933	1,030,388
	4,864,379	4,643,558

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-Current Assets			
Investment properties	16	9,779,462	9,471,090
Property, plant and equipment	17	3,599,557	3,462,047
Prepaid lease payments – non-current portion	18	137,364	136,368
Toll road operating rights	19	13,674,748	13,899,749
Other intangible assets	20	1,428,855	1,197,928
Interests in joint ventures	22	2,629,143	1,781,046
Interests in associates	23	2,047,043	1,966,769
Investments	25	1,127,334	960,137
Receivables under service concession arrangements – non-current portion	26	3,745,186	3,399,244
Deposit paid on acquisition of a subsidiary	27	156,399	–
Deposits paid on acquisition of property, plant and equipment	27	56,474	41,569
Restricted bank deposits	28	85,288	82,270
Deferred tax assets	29	260,075	270,922
		38,726,928	36,669,139
Current Assets			
Inventories	30	47,942,059	51,021,592
Trade and other receivables	31	6,198,674	6,330,644
Prepaid lease payments – current portion	18	3,490	3,355
Investments	25	542,117	408,372
Receivables under service concession arrangements – current portion	26	115,426	92,964
Amounts due from customers for contract work	32	94,259	102,093
Prepaid taxation		512,636	399,127
Pledged bank deposits	33	512,231	447,838
Short-term bank deposits	33	548,044	212,888
Bank balances and cash	33	25,975,351	19,248,483
		82,444,287	78,267,356
Assets classified as held for sale	34	1,238,810	376,516
		83,683,097	78,643,872
Current Liabilities			
Trade and other payables	35	14,694,333	11,759,240
Customer deposits from sales of properties	36	9,122,413	10,150,596
Amounts due to customers for contract work	32	20,409	72,129
Taxation payable		3,219,064	3,737,308
Bank and other borrowings	37	12,960,798	10,718,828
Senior notes	39	1,994,842	–
		42,011,859	36,438,101
Liabilities associated with assets classified as held for sale	34	655,630	–
		42,667,489	36,438,101
Net Current Assets		41,015,608	42,205,771
Total Assets less Current Liabilities		79,742,536	78,874,910

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Capital and Reserves			
Share capital	40	108,275	108,025
Share premium and reserves		34,837,749	32,301,464
Equity attributable to owners of the Company		34,946,024	32,409,489
Non-controlling interests		17,433,790	15,829,544
Total Equity		52,379,814	48,239,033
Non-Current Liabilities			
Provision for major overhauls	26	77,810	79,516
Bank and other borrowings	37	17,903,927	22,112,850
Convertible bonds	38	3,742,607	–
Senior notes	39	–	2,746,903
Deferred tax liabilities	29	5,638,378	5,696,608
		27,362,722	30,635,877
Total Equity and Non-Current Liabilities		79,742,536	78,874,910

The consolidated financial statements on pages 65 to 195 were approved and authorised for issue by the board of directors on 31 March 2014 and are signed on its behalf by:

Zhou Jie
Chief Executive Officer

Xu Bo
Deputy CEO

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-Current Assets			
Property, plant and equipment	17	4,129	5,352
Investments in subsidiaries	21	741,691	556,477
Interest in a joint venture	22	384,123	–
Amount due from a subsidiary	24	–	1,243,781
Investments	25	59,270	59,270
		1,189,213	1,864,880
Current Assets			
Deposits, prepayments and other receivables		60,283	60,568
Amounts due from subsidiaries	24	33,430,356	30,564,312
Investments	25	157,457	–
Bank balances and cash	33	2,744,519	2,112,433
		36,392,615	32,737,313
Current Liabilities			
Other payables and accrued charges		41,784	33,501
Amounts due to subsidiaries	24	5,045,985	6,653,936
Taxation payable		204,614	196,906
Bank borrowings	37	1,280,410	–
		6,572,793	6,884,343
Net Current Assets		29,819,822	25,852,970
Total Assets less Current Liabilities		31,009,035	27,717,850
Capital and Reserves			
Share capital	40	108,275	108,025
Share premium and reserves	42	27,007,342	26,366,044
Total Equity		27,115,617	26,474,069
Non-Current Liabilities			
Amount due to a subsidiary	24	3,893,418	–
Bank borrowings	37	–	1,243,781
		3,893,418	1,243,781
Total Equity and Non-Current Liabilities		31,009,035	27,717,850

Zhou Jie
Chief Executive Officer

Xu Bo
Deputy CEO

For the year ended 31 December 2013

	Attributable to owners of the Company												Attributable to non-controlling interests				
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Capital redemption reserve HK$'000	Other revaluation reserve HK$'000 (Note i)	Other reserve HK$'000 (Notes ii & iii)	Merger reserve HK$'000 (Note iv)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (Note v)	Retained profits HK$'000	Sub-total HK$'000	Deferred consideration shares of a listed subsidiary HK$'000 (Note vi)	Share options reserve of listed subsidiaries HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1 January 2012	107,979	13,345,715	123,388	1,071	64,583	1,658,047	(5,893,770)	70,044	2,921,304	675,785	16,988,222	30,062,368	–	108,344	15,303,323	15,411,667	45,474,035
Profit for the year	–	–	–	–	–	–	–	–	–	–	3,438,210	3,438,210	–	–	888,280	888,280	4,326,490
Exchange differences arising on translation of foreign operations																	
– subsidiaries	–	–	–	–	–	–	–	–	172,220	–	–	172,220	–	–	142,108	142,108	314,328
– joint ventures	–	–	–	–	–	–	–	–	15,361	–	–	15,361	–	–	–	–	15,361
– associates	–	–	–	–	–	–	–	–	18,911	–	–	18,911	–	–	–	–	18,911
Fair value change on available-for-sale investments held by																	
– subsidiaries	–	–	–	–	–	–	–	14,550	–	–	–	14,550	–	–	–	–	14,550
– a joint venture	–	–	–	–	–	–	–	(36,673)	–	–	–	(36,673)	–	–	–	–	(36,673)
Reclassified on disposal of interest in a subsidiary held for sale	–	–	–	–	–	–	–	–	(8,963)	–	–	(8,963)	–	–	–	–	(8,963)
Reclassified on disposal of a joint venture	–	–	–	–	–	–	–	–	(446)	–	–	(446)	–	–	–	–	(446)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(22,123)	197,083	–	3,438,210	3,613,170	–	–	1,030,388	1,030,388	4,643,558
Issue of shares upon exercise of share options	46	11,337	(858)	–	–	–	–	–	–	–	–	10,525	–	–	–	–	10,525
Recognition of equity-settled share-based payments	–	–	39,831	–	–	–	–	–	–	–	–	39,831	–	8,674	–	8,674	48,505
Transfers	–	–	–	–	–	–	–	–	–	210,637	(210,637)	–	–	–	–	–	–
Capital contributions by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	7,385	7,385	7,385
Return of capital to non-controlling interests upon capital reduction of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(33,227)	(33,227)	(33,227)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(149,723)	(149,723)	(149,723)
Acquisition of Nanfang Water (Note 43(I))	–	–	–	–	–	–	–	–	–	–	–	–	157,694	–	251,127	408,821	408,821
Capital injections within the Group (Note iii(a))	–	–	–	–	–	42,285	–	–	–	–	–	42,285	–	–	(42,285)	(42,285)	–
Acquisition of additional interest in a subsidiary (Note iii(b))	–	–	–	–	–	(214,422)	–	–	–	–	–	(214,422)	–	–	(776,698)	(776,698)	(991,120)
Disposal of interest in a subsidiary held for sale (Note 34)	–	–	–	–	(9,728)	(262)	–	–	–	(8,872)	9,134	(9,728)	–	–	(36,159)	(36,159)	(45,887)
Deregistration of subsidiaries	–	–	–	–	–	–	22,089	–	–	(27,867)	5,778	–	–	–	(6,023)	(6,023)	(6,023)
Deemed disposal of interests in subsidiaries	–	–	–	–	–	1,516	–	–	–	–	–	1,516	–	–	37,033	37,033	38,549
Transfer to retained profits upon cancellation/expiry of share options of listed subsidiaries	–	–	–	–	–	–	–	–	–	–	30,309	30,309	–	(46,681)	16,372	(30,309)	–
Dividends paid (Note 14)	–	–	–	–	–	–	–	–	–	–	(1,166,365)	(1,166,365)	–	–	–	–	(1,166,365)
At 31 December 2012	108,025	13,357,052	162,361	1,071	54,855	1,487,164	(5,871,681)	47,921	3,118,387	849,683	19,094,651	32,409,489	157,694	70,337	15,601,513	15,829,544	48,239,033

For the year ended 31 December 2013

	Attributable to owners of the Company													Attributable to non-controlling interests				
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Convertible bonds equity reserve HK$'000	Capital redemption reserve HK$'000	Other revaluation reserve HK$'000 (Note i)	Other reserve HK$'000 (Notes ii, vi & vii)	Merger reserve HK$'000 (Note iv)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (Note v)	Retained profits HK$'000	Sub-total HK$'000	Deferred consideration shares of a listed subsidiary HK$'000 (Note vi)	Share options reserve of listed subsidiaries HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1 January 2013	108,025	13,357,052	162,361	–	1,071	54,855	1,487,164	(5,871,681)	47,921	3,118,387	849,683	19,094,651	32,409,489	157,694	70,337	15,601,513	15,829,544	48,239,033
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	2,702,418	2,702,418	–	–	741,802	741,802	3,444,220
Exchange differences arising on translation of foreign operations																		
– subsidiaries	–	–	–	–	–	–	–	–	–	711,183	–	–	711,183	–	–	576,131	576,131	1,287,314
– joint ventures	–	–	–	–	–	–	–	–	–	54,318	–	–	54,318	–	–	–	–	54,318
– associates	–	–	–	–	–	–	–	–	–	61,565	–	–	61,565	–	–	–	–	61,565
Fair value change on available-for-sale investments held by																		
– subsidiaries	–	–	–	–	–	–	–	–	37,543	–	–	–	37,543	–	–	–	–	37,543
– a joint venture	–	–	–	–	–	–	–	–	3,075	–	–	–	3,075	–	–	–	–	3,075
Impairment loss on available-for-sale investments	–	–	–	–	–	–	–	–	15,852	–	–	–	15,852	–	–	–	–	15,852
Reclassification on disposal of available-for-sale investments	–	–	–	–	–	–	–	–	(11,306)	–	–	–	(11,306)	–	–	–	–	(11,306)
Reclassification on disposal of interests in subsidiaries (Note 45)	–	–	–	–	–	–	–	–	–	(3,699)	–	–	(3,699)	–	–	–	–	(3,699)
Reclassified on disposal of interest in an associate held for sale (Note 34)	–	–	–	–	–	–	–	–	–	(24,503)	–	–	(24,503)	–	–	–	–	(24,503)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	45,164	798,864	–	2,702,418	3,546,446	–	–	1,317,933	1,317,933	4,864,379
Issue of shares upon exercise of share options	250	61,195	(4,632)	–	–	–	–	–	–	–	–	–	56,813	–	–	–	–	56,813
Recognition of equity-settled share-based payments	–	–	5,904	–	–	–	–	–	–	–	–	–	5,904	–	–	–	–	5,904
Transfers	–	–	–	–	–	–	–	–	–	–	87,858	(87,858)	–	–	–	–	–	–
Capital contributions by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	81,915	81,915	81,915
Return of capital to non-controlling interests upon capital reduction of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(196,959)	(196,959)	(196,959)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	(127,053)	–	–	–	–	–	(127,053)	–	–	(274,868)	(274,868)	(401,921)
Disposal of subsidiaries (Note 45)	–	–	–	–	–	–	–	(4)	–	–	(5,878)	5,882	–	–	–	(136,755)	(136,755)	(136,755)
Deemed disposal of interest in a listed subsidiary upon issue of deferred consideration shares	–	–	–	–	–	–	(9,668)	–	–	–	–	–	(9,668)	(127,112)	–	136,780	9,668	–
Deemed disposal of interest in a listed subsidiary upon shares placement	–	–	–	–	–	–	28,233	–	–	–	–	–	28,233	–	–	936,043	936,043	964,276
Recognition of equity component of convertible bonds, net of related transaction costs (Note 38)	–	–	–	185,214	–	–	–	–	–	–	–	–	185,214	–	–	–	–	185,214
Deferred tax liability on recognition of equity component of convertible bonds (Note 38)	–	–	–	(70,772)	–	–	–	–	–	–	–	–	(70,772)	–	–	–	–	(70,772)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(130,286)	(130,286)	(130,286)
Transfer to retained profits upon cancellation of share options of listed subsidiaries	–	–	–	–	–	–	–	–	–	–	–	2,445	2,445	–	(3,495)	1,050	(2,445)	–
Dividends paid (Note 14)	–	–	–	–	–	–	–	–	–	–	–	(1,081,027)	(1,081,027)	–	–	–	–	(1,081,027)
At 31 December 2013	108,275	13,418,247	163,633	114,442	1,071	54,855	1,378,676	(5,871,685)	93,085	3,917,251	931,663	20,636,511	34,946,024	30,582	66,842	17,336,366	17,433,790	52,379,814

For the year ended 31 December 2013

Notes:

(i) Other revaluation reserve comprises of fair value adjustments on acquisition of subsidiaries relating to interests previously held by the Company and its subsidiaries (collectively referred to as the "Group") as associates/joint ventures and fair value adjustments arising upon the transfer of property, plant and equipment to investment properties in prior years.

(ii) The Group accounts for acquisitions of associates, joint ventures or investee companies from its ultimate parent, Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), as equity transactions and any difference between the consideration paid and the fair value of the interest acquired is recorded in other reserve. In addition, the Group accounts for changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over those subsidiaries as equity transactions and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recorded in other reserve.

(iii) During the year ended 31 December 2012, the Group completed four capital injections within the Group and acquisition of additional interest in a subsidiary, which are accounted for as equity transactions, as follows:

(a) In August 2012, Shanghai Industrial Development Co., Ltd. ("SI Development"), a 63.65% owned subsidiary of the Group, acquired 51% equity interests in two wholly owned subsidiaries of the Group by way of capital injection. The aggregate capital injection amounted to RMB495,578,000 (equivalent to HK$504,954,000). Also in August 2012, the Group, through two wholly owned subsidiaries, acquired 49% equity interests in two wholly owned subsidiaries of SI Development by injecting an aggregate capital of RMB288,683,000 (equivalent to HK$352,396,000). Upon completion of this series of capital injections, the Group effectively holds 81.46% equity interest in each of the four concerned subsidiaries.

The above capital injections resulted in a decrease in the carrying amount of the non-controlling interests by HK$42,285,000.

(b) In March 2012, the Group acquired an additional 49.34% equity interest in a subsidiary at a consideration of approximately HK$991 million from the non-controlling shareholder and the subsidiary then became wholly owned. The difference between the consideration paid and the carrying value of the interest acquired amounting to approximately HK$214 million is recorded in other reserve.

(iv) Merger reserve represents the difference in the fair value of the consideration paid to SIIC for the acquisition of subsidiaries/businesses controlled by SIIC and the share capital of the acquired subsidiaries.

(v) The statutory reserves are reserves required by the relevant laws in the People's Republic of China (the "PRC") applicable to the Group's PRC subsidiaries, joint ventures and associates.

(vi) In July 2012, SIIC Environment Holdings Ltd. ("SI Environment"), a listed subsidiary of the Group, completed the acquisition of an indirect 69.378% equity interest in Nanfang Water Co., Ltd. ("Nanfang Water") which, together with its subsidiaries and an associate, are principally engaged in the business of environment protection in the PRC, including waste water and tap water treatments. The consideration for the acquisition is HK$423,719,000 which includes (a) cash of RMB218.3 million (equivalent to approximately HK$266.0 million), (b) 433,626,615 ordinary shares in SI Environment, the fair value of which at the date of acquisition amounted to HK$127,829,000, and (c) HK$29,865,000, representing the fair value of the earn-out amounts for each of the three years ended 31 December 2014 if Nanfang Water achieves the agreed financial targets for the corresponding year. The maximum earn-out amount to be paid amounts to RMB45 million (equivalent to approximately HK$55 million) and would be settled by way of issuance of a fixed number of new ordinary shares in SI Environment.

The Group recognised the fair value of the share consideration and the earn-out amount in equity attributable to non-controlling interests as at 31 December 2012. In February 2013, the share consideration was settled and the Group accounted for the issue of deferred consideration shares as an equity transaction and as a deemed disposal of SI Environment.

(vii) In October 2013, SI Environment entered into subscription agreements with its controlling shareholder (i.e. the Group) and certain institutional investors in relation to its placement of 3,100,000,000 new ordinary shares, representing approximately 36% of the enlarged capital of SI Environment, at the placement price of S$0.085. Out of which, 1,250,000,000 shares were subscribed by the Group for a cash consideration of S$106,250,000 (equivalent to HK$651,538,000) and the Group's shareholding in SI Environment was diluted from 54.63% to 46.72% upon completion of the shares placement in December 2013. The Group accounted for the shares placement as an equity transaction and the difference between the consideration received and the change of the Group's interest in SI Environment's net assets amounting to approximately HK$28 million is credited to other reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	4,833,753	5,947,741
Adjustments for:		
Amortisation of other intangible assets	57,284	47,005
Amortisation of toll road operating rights	721,631	610,895
Change in fair value of Warrants 2012	–	(3)
Decrease (increase) in fair value of investment properties	99,240	(22,947)
Depreciation of property, plant and equipment	273,083	262,615
Dividend income from equity investments	(6,951)	(11,422)
Equity-settled share-based payments	5,904	48,505
Finance costs	1,199,557	1,031,715
Gain on disposal of assets through disposal of subsidiaries	(819,125)	–
Gain on disposal of available-for-sale investments	(14,517)	–
Gain on disposal of Feng Shun	–	(1,276,515)
Gain on disposal of interests in subsidiaries, joint ventures and associates	(215,116)	(668,876)
Impairment loss on available-for-sale investments	15,852	40,427
Impairment loss on bad and doubtful debts	17,530	2,632
Impairment loss on inventories, other than properties	5,001	114,991
Impairment loss on properties held for sale	36,374	71,627
Interest income	(584,555)	(457,876)
Net gain on disposal/written off of property, plant and equipment	(2,826)	(3,545)
Provision for major overhauls	–	8,739
Release of prepaid lease payments	3,934	3,818
Reversal of impairment loss on bad and doubtful debts	–	(33,687)
Reversal of impairment loss on an associate	–	(4,000)
Reversal of impairment loss on other receivables	–	(587,079)
Share of results of associates	(22,788)	(13,512)
Share of results of joint ventures	(79,730)	(27,520)
Operating cash flows before movements in working capital	5,523,535	5,083,728
Decrease in inventories	859,915	1,234,061
(Increase) decrease in financial assets at fair value through profit or loss	(126,963)	264,132
Decrease in trade and other receivables	602,186	334,506
Increase in receivables under service concession arrangements	(268,298)	(40,180)
Net movement in amounts due from (to) customers for contract work	(43,003)	(38,008)
Increase in trade and other payables	3,344,647	1,208,174
Decrease in customer deposits from sales of properties	(1,327,112)	(2,957,088)
Decrease in provision for major overhauls	(4,048)	(3,911)

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash generated from operations		8,560,859	5,085,414
PRC Enterprise Income Tax ("EIT") paid		(1,333,051)	(405,950)
PRC Land Appreciation Tax ("LAT") paid		(849,566)	(745,382)
Hong Kong Profits Tax paid		(184,405)	(135,736)
NET CASH FROM OPERATING ACTIVITIES		6,193,837	3,798,346
INVESTING ACTIVITIES			
Decrease in consideration receivables		936,318	341,782
Disposal of assets through disposal of subsidiaries	45(IV)	726,750	–
Interest received		584,275	375,476
Disposal of assets classified as held for sale	34	237,294	774,710
Proceeds from disposal of available-for-sale investments		220,478	372,011
Proceeds from disposal of investment properties	16	215,915	187,357
Proceeds from disposal of operating concessions		126,151	–
Proceeds from disposal of property, plant and equipment		104,435	60,946
Disposal of subsidiaries	45(III)	93,564	178,664
Dividends received from associates		19,444	68,172
Dividends received from joint ventures		18,923	13,523
Dividends received from equity investments		6,951	11,422
(Increase) decrease in restricted/pledged/short-term bank deposits		(402,567)	1,079,338
Advance to a joint venture		(384,123)	–
Capital injection to a joint venture		(345,774)	–
Purchase of available-for-sale investments		(345,260)	(474,208)
Acquisition of assets and liabilities through acquisition of a subsidiary	44	(335,982)	–
Purchase of property, plant and equipment		(289,182)	(303,018)
Deposit paid on acquisition of a subsidiary		(156,399)	–
Purchase of and subsequent expenditures on investment properties		(141,019)	(124,245)
Additions to toll road operating rights		(58,026)	–
Acquisition of an associate		(15,365)	(12,294)
Increase in deposits paid on acquisition of property, plant and equipment		(14,905)	(23,539)
Increase in prepaid lease payments		(970)	(7,805)
Disposal of Feng Shun	51(I)(h)	–	653,620
Proceeds from disposal of interests in associates		–	4,000
Acquisition of subsidiaries/businesses	43	–	(215,723)
Deregistration of a non-wholly owned subsidiary		–	(6,023)
NET CASH FROM INVESTING ACTIVITIES		800,926	2,954,166

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES			
Repayment of bank and other borrowings		(11,160,093)	(18,748,184)
Interest paid		(1,232,399)	(1,034,455)
Dividends paid		(1,081,027)	(1,166,365)
Acquisition of additional interests in subsidiaries		(401,921)	(991,120)
Return of capital to non-controlling interests upon capital reduction of a subsidiary		(196,959)	(33,227)
Dividends paid to non-controlling interests		(130,286)	(149,723)
Transaction costs of issuing convertible bonds	38	(44,420)	–
(Repayment to) advances from fellow subsidiaries	35	(33,958)	46,073
Bank and other borrowings raised		8,958,346	17,894,205
Proceeds from issue of convertible bonds	38	3,900,000	–
Proceeds from shares placement by a listed subsidiary, net of direct transaction costs		964,276	–
Capital contributions by non-controlling interests		81,915	7,385
Proceeds from issue of shares upon exercise of share options		56,813	10,525
Proceeds from deemed disposal of interests in subsidiaries without losing control		–	38,549
NET CASH USED IN FINANCING ACTIVITIES		(319,713)	(4,126,337)
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,675,050	2,626,175
CASH AND CASH EQUIVALENTS AT 1 JANUARY		19,248,483	16,529,835
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		235,517	92,473
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		26,159,050	19,248,483
Represented by:			
Bank balances and cash		25,975,351	19,248,483
Bank balances and cash classified as assets held for sale		183,699	–
		26,159,050	19,248,483

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate parent is SIIC, a private limited company also incorporated in Hong Kong. The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries, joint ventures and associates are set out in Notes 54, 55 and 56, respectively.

The consolidated financial statements are presented in Hong Kong dollar, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosure of Interests in Other Entities", HKAS 27 (as revised in 2011) "Separate Financial Statements" and HKAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) Int-12 "Consolidation-Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when investors has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in HKFRS 10 and concluded that the application had no impact on the consolidation of investees held by the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC) – Int13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11 and concluded that the application of this new standard had no impact on the Group's results of operation or financial position as all those joint arrangements are classified as joint ventures under HKFRS 11, which had been equity accounted for under HKAS 31.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see Notes 5, 22, 23 and 54 for details).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see Notes 16 and 59(c) for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

3. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.

2 Effective for annual periods beginning on or after 1 July 2014.

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

5 Effective for annual periods beginning on or after 1 January 2016.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Based on an analysis of the Group's financial assets as at 31 December 2013, the adoption of HKFRS 9 will affect the classification and measurement of the Group's available-for-sale equity investments which are stated at cost less impairment but may not have a significant impact on the amounts reported in respect of the Group's other financial assets. It is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to retained profits as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits", respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Merger accounting for business combination involving entities under common control

Business combination involving entities under common control includes acquisition of subsidiaries/businesses controlled by SIIC.

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of previous reporting period or when they first came under common control, whichever is shorter.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributed amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate or a joint venture is described below.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sales in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint control over the joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with HKAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Service concession arrangements

Consideration given by the grantor

A financial asset (receivable under service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for "Financial instruments" below.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets" below.

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

Operating services

Revenue and costs relating to operating services are accounted for in accordance with the policy for "Revenue recognition" below.

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence, that is (a) to maintain the sewage and water treatment plants it operates to a specified level of serviceability and/or (b) to restore the plants to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the sewage and water treatment plants are recognised and measured in accordance with the policy set out for "Provisions" below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts

Where the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods (including water supplied under service concession arrangements) is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Service income including that from operating service provided under service concession arrangements and hotel operation is recognised when services are provided.

Income from construction contracts is recognised as set out in the accounting policy for "Construction contracts" above.

Toll fee income from the operation of toll roads, net of business tax payable in the PRC, is recognised at the time of usage.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Subsequent expenditures (including refurbishment and decoration) incurred for investment properties are capitalised as part of the carrying amount of the investment properties.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment including hotel property and leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes (i.e. construction in progress) are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets or liabilities acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost less accumulated amortisation and any accumulated impairment losses.

Research and development expenditure

Expenditure on research and development activities (where no internally-generated intangible asset can be recognised) is recognised as an expense in the period in which it is incurred.

Toll road operating rights

Toll road operating rights are stated at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is provided to write off the costs of toll road operating rights on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the periods for which the Group is granted the rights to operate the toll roads.

Operating concessions

Operating concessions represent the rights to operate sewage and water treatment plants and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 20 to 50 years.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Properties under development held for sale and properties held for sale

Properties under development held for sale and properties held for sale are stated at the lower of cost and net realisable value on an individual basis. Cost comprises the acquisition cost and other direct costs attributable to such properties.

Others

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Transfer from inventories to investment properties carried at fair value

The Group transfers a property from inventories to investment properties when there is a change of intention to hold the property to earn rentals and/or for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Transfer from inventories to leasehold land and buildings carried at cost

The Group transfers a property from inventories to leasehold land and buildings at cost when there is a change of intended use of the property from sale to owner occupied purpose, which is evidenced by the commencement of owner-occupation.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net investment income.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in net investment income line item. Fair value is determined in the manner described in note 25.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including receivables under service concession arrangements, restricted bank deposits, trade and other receivables, amounts due from subsidiaries, loan to a joint venture, pledged bank deposits, short-term bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy on impairment of financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

The Group's financial liabilities, including trade and other payables, amounts due to subsidiaries, bank and other borrowings, liability component of convertible bonds and senior notes, are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Convertible bonds containing liability and equity components

The component parts of the convertible bonds issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debts. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity (convertible bonds equity reserve), net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation (if appropriate) recognised in accordance with HKAS 18 "Revenue".

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity-settled share-based payment transactions

Share options granted to employees and others providing similar services

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

In case of share options granted by a subsidiary, the share options reserve of the subsidiary is classified as and grouped under non-controlling interests by the Group on consolidation. At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium of that subsidiary. The Group will account for the dilution as an equity transaction in accordance with HKAS 27 if the exercise of share options does not constitute a loss of the Group's control over that subsidiary. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits of the Group and non-controlling interests' share of net assets of that subsidiary according to the proportion of interests held by the Group and non-controlling shareholders on consolidation.

Share-based payment transactions of the acquiree in a business combination

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure of the unvested share-based payment transactions is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of those share options. The balance is recognised as remuneration cost for post-combination service.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that certain of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted for such properties. For the properties on which the 'sale' presumption is not rebutted, the Group has further recognised deferred taxes on changes in fair value of investment properties in relation to PRC LAT, which is the additional tax to be charged if a property in the PRC is recovered through sale.

Control over SI Environment

Note 54 describes that SI Environment is a subsidiary of the Group although the Group has only 46.72% ownership interest and voting rights in SI Environment. SI Environment is listed on the the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Upon completion of the placement of new ordinary shares by SI Environment in December 2013, the Group's shareholding in SI Environment was diluted from 54.63% to 46.72% and the remaining 53.28% of shareholdings are owned by numerous shareholders that are unrelated to the Group. Details of SI Environment are set out in Note 54.

The directors of the Company assessed whether or not the Group has control over SI Environment based on whether the Group has the practical ability to direct the relevant activities of SI Environment unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in SI Environment and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of SI Environment and therefore the Group has control over SI Environment.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2013 at their fair value, details of which are disclosed in Note 16. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent firm of property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavorable changes to these assumptions may result in changes in the fair value of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss and the carrying amount of these properties included in the consolidated statement of financial position.

Amortisation of toll road operating rights

Toll road operating rights amounting to approximately HK$13,675 million as at 31 December 2013 (2012: HK$13,900 million) are amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the operating period of the toll roads. If the actual traffic volume differs from the original projection, such difference will impact the amount of amortisation for the remaining operating period of the toll roads. There were no significant changes in the traffic volume estimates in the current year.

Allowance for properties under development and properties held for sale

Management regularly reviews the recoverability of the Group's properties under development and properties held for sale with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceed their recoverable amounts. Appropriate allowance for properties under development and properties held for sale is made if the estimated recoverable amount is lower than its carrying amount. As at 31 December 2013, the aggregate carrying amount of properties under development and properties held for sale was approximately HK$46,405 million (2012: HK$49,779 million).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated cost of each phase as a percentage of the total estimated costs of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation are different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights, borrowing costs and all property development expenditures.

The Group is subject to LAT in the PRC which has been included in income tax expense of the Group. However, the Group has not finalised its LAT returns with the tax authorities for certain of its property development projects. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and deferred income tax provisions in the period in which such determination is made. As at 31 December 2013, the carrying amount of LAT provision (included in taxation payable) was approximately HK$1,291 million (2012: HK$1,476 million).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment of trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the trade and other receivables balance, debtor credit-worthiness, and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the aggregate carrying amount of trade and other receivables was approximately HK$6,199 million (2012: HK$6,331 million).

Estimation of contract revenue and costs

The Group recognises contract revenue and profit on a construction contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract when the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimations and this will affect the revenue and profit recognised.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Management of the Group is responsible for determination of the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model on a regular basis, or when needs arise, and will report the significant results and findings to the board of directors of the Company. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 16 and 59(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

6. REVENUE

Revenue represents the aggregate of the net amounts received or receivable from third parties. An analysis of the Group's revenue for the year is as follows:

	2013 HK$'000	2012 HK$'000
Sales of properties	13,676,867	12,359,686
Sales of goods	3,643,282	3,427,091
Income from infrastructure facilities	3,550,386	2,848,463
Rental income	612,547	563,080
Income from hotel operation	84,642	88,590
	21,567,724	19,286,910

7. NET INVESTMENT INCOME

	2013 HK$'000	2012 HK$'000
Interest on bank deposits	327,746	255,622
Interest on available-for-sale investments	2,715	22,784
Interest on financial assets designated as at FVTPL	17,712	–
Other interest income	236,382	179,470
Total interest income	584,555	457,876
Change in fair value of financial assets classified as held for trading	36,989	137,295
Change in fair value of financial assets designated as at FVTPL	15,613	1,214
Dividend income from equity investments	6,951	11,422
Gain on disposal of available-for-sale investments	14,517	–
Rental income from property, plant and equipment	1,864	545
	660,489	608,352

Net investment income earned from financial assets, analysed by category of asset, is as follows:

	2013 HK$'000	2012 HK$'000
Financial assets at FVTPL	76,815	149,931
Loans and receivables (including bank balances and cash)	564,128	435,092
Available-for-sale financial assets	17,682	22,784
	658,625	607,807
Investment income earned on non-financial assets	1,864	545
	660,489	608,352

Included above is income from listed investments of HK$57,862,000 (2012: HK$149,931,000) and from unlisted investments of HK$36,635,000 (2012: HK$22,784,000).

For the year ended 31 December 2013

8. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on bank and other borrowings		
– wholly repayable within five years	1,478,664	1,516,532
– not wholly repayable within five years	98,513	82,773
Interest on convertible bonds	72,241	–
Interest on senior notes	192,415	196,244
	1,841,833	1,795,549
Less: amounts capitalised in properties under development held for sale	(642,276)	(763,834)
	1,199,557	1,031,715

Borrowing costs capitalised during the year arose on the general borrowings pool and are calculated by applying capitalisation rates ranging from 6.4% to 9.1% (2012: 5.8% to 9.3%) per annum to expenditure on qualifying assets.

9. GAIN ON DISPOSAL OF INTERESTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

	2013 HK$'000	2012 HK$'000
Gain on disposal of interest in a subsidiary/an associate/ a joint venture classified as held for sale (Note 34)	103,340	309,654
Gain on disposal of interests in subsidiaries (Note 45(III))	109,953	359,222
Gain on deregistration of a subsidiary	1,823	–
	215,116	668,876

10. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

	2013 HK$'000	2012 HK$'000
Impairment loss on		
– listed equity investments	15,852	–
– unlisted equity investments	–	40,427
	15,852	40,427

For the year ended 31 December 2013

11. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
Current tax		
– Hong Kong	158,308	151,063
– PRC LAT	648,661	702,433
– PRC EIT (including PRC withholding tax of HK$135,786,000 (2012: HK$30,203,000))	838,243	1,098,431
	1,645,212	1,951,927
Under(over)provision in prior years		
– Hong Kong	(267)	(1,275)
– PRC LAT (Note iv)	16,335	(94,902)
– PRC EIT (Note iv)	(9,231)	(192,180)
	6,837	(288,357)
Deferred taxation for the year (Note 29)	(262,516)	(42,319)
	1,389,533	1,621,251

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2013 HK$'000	2012 HK$'000
Profit before taxation	4,833,753	5,947,741
Tax at PRC statutory tax rate of 25%	1,208,438	1,486,935
Tax effect of share of results of joint ventures and associates	(25,630)	(10,258)
Tax effect of expenses not deductible for tax purpose	121,655	157,002
Tax effect of income not taxable for tax purpose	(84,320)	(221,772)
Overprovision of Hong Kong Profits Tax and PRC EIT in prior years	(9,498)	(193,455)
Tax effect of tax losses not recognised as deferred tax assets	132,624	212,005
Utilisation of tax losses previously not recognised as deferred tax assets	(17,334)	(45,705)
Effect of PRC subsidiaries subject to a lower tax rate	(41,870)	(47,158)
Effect of different tax rates of subsidiaries	(309,308)	(203,807)
PRC LAT in respect of		
– properties under development/properties held for sale	625,764	639,995
– investment properties	(189,502)	(122,604)
Under(over)provision of PRC LAT in prior years	16,335	(94,902)
Tax effect of PRC LAT deductible for PRC EIT	(113,149)	(105,622)
Tax charge on dividend withholding tax	81,285	173,799
Others	(5,957)	(3,202)
Income tax expense for the year	1,389,533	1,621,251

For the year ended 31 December 2013

11. INCOME TAX EXPENSE (Continued)

Notes:

(i) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

(ii) The Group's major subsidiaries in the PRC are subject to PRC EIT at a rate of 25%. A PRC subsidiary is taxed at a lower rate of 12.5% (2012: 12.5%) on a transitional basis.

(iii) PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights, borrowing costs and all qualified property development expenditures.

(iv) The Group reversed overprovisions of PRC LAT and PRC EIT during the year ended 31 December 2012 upon completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

For the year ended 31 December 2013

12. PROFIT FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Profit for the year has been arrived at after charging:		
Employee benefits expense, including directors' emoluments:		
Basic salaries, allowances and bonuses	865,739	718,205
Equity-settled share-based payments	5,178	40,745
Retirement benefits scheme contributions, net of forfeited contributions of HK$13,000 for the year ended 31 December 2012 (2013: Nil)	66,637	55,524
	937,554	814,474
Amortisation of toll road operating rights (included in cost of sales)	721,631	610,895
Amortisation of other intangible assets (included in cost of sales)	57,284	47,005
Depreciation of property, plant and equipment	273,083	262,615
Release of prepaid lease payments	3,934	3,818
Total depreciation and amortisation	1,055,932	924,333
Auditors' remuneration	15,878	17,603
Cost of inventories recognised as an expense	13,072,804	12,023,109
Compensation to customers as a result of late delivery of properties	79,704	181,677
Decrease in fair value of investment properties (included in administrative and other expenses)	99,240	–
Equity-settled share-based payments in respect of options granted to eligible participants other than employees	726	7,760
Impairment loss on bad and doubtful debts	17,530	2,632
Impairment loss on properties held for sale	36,374	71,627
Impairment loss on inventories, other than properties	5,001	114,991
Operating lease rentals in respect of land and buildings to		
– fellow subsidiaries	12,104	10,330
– others	29,731	25,901
Provision for major overhauls (included in cost of sales)	–	8,739
Research and development costs	17,117	12,024
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	26,625	15,758
Share of PRC EIT of associates (included in share of results of associates)	10,485	10,607
and after crediting other income as follows:		
Change in fair value of Warrants 2012 (defined in Note 39)	–	3
Compensation income (Note)	–	178,703
Increase in fair value of investment properties	–	22,947
Net foreign exchange gain	127,100	64,214
Net gain on disposal/written off of property, plant and equipment	2,826	3,545
Reversal of impairment loss on bad and doubtful debts	–	33,687
Reversal of impairment loss on investment in an associate	–	4,000
Reversal of impairment loss on other receivables (Note)	–	587,079

For the year ended 31 December 2013

12. PROFIT FOR THE YEAR (Continued)

Note: In prior year, the Group recognised full impairment against a deposit of approximately RMB478 million (equivalent to approximately HK$587 million) paid to a counterparty for the acquisition of a property project. During the year ended 31 December 2012, the Group reached an agreement with the counterparty whereby the counterparty agreed to (i) refund the deposit in full to the Group and (ii) pay the Group a compensation of approximately RMB146 million (equivalent to approximately HK$179 million). Accordingly, the Group recognised a reversal of impairment loss on other receivables of HK$587 million and compensation income of approximately HK$179 million for the year ended 31 December 2012.

13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the eleven (2012: thirteen) former and existing directors of the Company were as follows:

	Wang Wei HK$'000 (Note i)	Zhou Jie HK$'000	Lu Shen HK$'000 (Note ii)	Zhou Jun HK$'000	Xu Bo HK$'000 (Note iii)	Teng Yi Long HK$'000 (Note iv)	Qian Yi HK$'000 (Note v)	Cai Yu Tian HK$'000 (Note vi)	Qian Shi Zheng HK$'000 (Note vii)	Lu Ming Fang HK$'000 (Note viii)	Lo Ka Shui HK$'000	Woo Chia-Wei HK$'000	Leung Pak To, Francis HK$'000	Cheng Hoi Chuen, Vincent HK$'000 (Note ix)	Total HK$'000
Year ended 31 December 2013															
Independent non-executive directors:															
Directors' fees and committee remuneration	-	-	-	-	-	-	-	-	-	-	362	421	421	430	1,634
Equity-settled share-based payments	-	-	-	-	-	-	-	-	-	-	24	24	24	-	72
Executive directors:															
Directors' fee and committee remuneration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Basic salaries and allowances	1,568	2,364	1,940	1,886	1,886	1,575	1,886	-	-	-	-	-	-	-	13,105
Bonuses	1,010	1,995	945	840	840	1,015	840	-	-	-	-	-	-	-	7,485
Equity-settled share-based payments	-	172	152	152	366	156	152	-	-	-	-	-	-	-	1,150
Retirement benefits scheme contributions	35	60	55	55	51	27	50	-	-	-	-	-	-	-	333
Total directors' emoluments	2,613	4,591	3,092	2,933	3,143	2,773	2,928	-	-	-	386	445	445	430	23,779
Year ended 31 December 2012															
Independent non-executive directors:															
Directors' fees and committee remuneration	-	-	-	-	-	-	-	-	-	-	426	409	409	57	1,301
Equity-settled share-based payments	-	-	-	-	-	-	-	-	-	-	180	180	180	-	540
Executive directors:															
Directors' fee and committee remuneration	-	-	-	-	-	-	-	-	-	208	-	-	-	-	208
Basic salaries and allowances	-	2,248	1,173	1,887	20	3,258	1,887	749	598	-	-	-	-	-	11,820
Bonuses	-	1,663	571	840	9	2,100	840	632	266	-	-	-	-	-	6,921
Equity-settled share-based payments	-	1,275	700	2,125	6	1,800	1,125	567	425	1,115	-	-	-	-	9,138
Retirement benefits scheme contributions	-	37	36	52	1	55	46	20	17	-	-	-	-	-	264
Total directors' emoluments	-	5,223	2,480	4,904	36	7,213	3,898	1,968	1,306	1,323	606	589	589	57	30,192

13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)

Notes:

(i) Mr. Wang Wei was appointed as a director of the Company on 25 June 2013.

(ii) Mr. Lu Shen was appointed as a director of the Company on 25 April 2012.

(iii) Mr. Xu Bo was appointed as a director of the Company on 28 December 2012.

(iv) Mr. Teng Yi Long retired as a director of the Company on 25 June 2013.

(v) Mr. Qian Yi resigned as a director of the Company on 20 February 2014.

(vi) Mr. Cai Yu Tian resigned as a director of the Company on 25 April 2012.

(vii) Mr. Qian Shi Zheng resigned as a director of the Company on 25 April 2012.

(viii) Mr. Lu Ming Fang resigned as a director of the Company on 28 December 2012.

(ix) Mr. Cheng Hoi Chuen, Vincent was appointed as an independent non-executive director of the Company on 13 November 2012.

(x) Mr. Wang Wei, Mr. Zhou Jie, Mr. Lu Shen, Mr. Zhou Jun, Mr. Xu Bo and Mr. Qian Yi, who are the executive directors of the Company, are also the chief executives of the Company. Their emoluments including those for services rendered by them as the chief executives are also included in the above directors' emoluments tables for presentation.

(xi) Bonuses were determined with reference to the Group's operating results, individual performance and comparable market statistics.

(xii) In the two years ended 31 December 2013, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during the two years.

(xiii) The five highest paid individuals of the Group for both years were all directors of the Company and details of their emoluments are set out above. For Mr. Lu Shen, his emoluments as an employee for the year ended 31 December 2012 before appointment as a director of the Company amounted to HK$1,582,485.

14. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Dividends recognised as distribution during the year:		
2013 interim dividend of HK42 cents		
(2012: 2012 interim dividend of HK50 cents) per share	454,111	539,984
2012 final dividend of HK58 cents		
(2012: 2011 final dividend of HK58 cents) per share	626,916	626,381
	1,081,027	1,166,365

The final dividend of HK45 cents per share in respect of the year ended 31 December 2013 (2012: final dividend of HK58 cents per share in respect of the year ended 31 December 2012), amounting to approximately HK$487.2 million (2012: HK$626.9 million) in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share attributable to owners of the Company are based on the following data:

	2013 HK$'000	2012 HK$'000
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	2,702,418	3,438,210
Effect of dilutive potential ordinary shares – interest on convertible bonds, net of tax	60,321	–
	2,762,739	3,438,210

	2013	2012
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,081,075,132	1,079,963,999
Effect of dilutive potential ordinary shares		
– convertible bonds	80,857,352	–
– share options of the Company	1,972,285	635,016
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,163,904,769	1,080,599,015

The computation of diluted earnings per share does not assume:

(i) the exercise of the Company's outstanding options if the exercise price of those options was higher than the average market price for the corresponding period;

(ii) the exercise of options/warrants issued by Shanghai Industrial Urban Development Group Limited ("SI Urban Development"), a listed subsidiary of the Group, because they are anti-dilutive. The warrants lapsed on 23 July 2012; and

(iii) the exercise of options issued by SI Environment, which expired on 13 August 2012, because they are anti-dilutive.

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2012	9,472,442
Exchange adjustments	82,570
Subsequent expenditures	20,369
Transfer from inventories (Note ii)	257,836
Transfer to assets classified as held for sale (Note 34)	(301,593)
Additions	103,876
Disposals (Note v)	(187,357)
Increase in fair value recognised in profit or loss	22,947
At 31 December 2012	9,471,090
Exchange adjustments	274,068
Subsequent expenditures	6,102
Transfer to assets classified as held for sale (Note 34)	(132,458)
Additions	134,917
Additions through acquisition of a subsidiary (Note 44)	340,898
Disposals (Note v)	(215,915)
Decrease in fair value recognised in profit or loss	(99,240)
At 31 December 2013	9,779,462
Unrealised loss on property revaluation included in profit or loss for the year ended 31 December 2013 (included in administrative and other expenses)	(101,825)

Notes:

(i) The Group's investment properties can be categorised as follows:

	2013 HK$'000	2012 HK$'000
Medium-term land use rights in the PRC	9,438,462	9,471,090
Medium-term leases in Hong Kong	341,000	–
	9,779,462	9,471,090

16. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(ii) During the year ended 31 December 2012, properties held for sale with a carrying amount of HK$257,836,000 were transferred to investment properties as the management had changed the intended use of the properties, as evidenced by commencement of leases of these properties. The properties were fair-valued by DTZ Debenham Tie Leung Limited ("DTZ") at the date of transfer on the basis of net rental income capitalisation and it was concluded that the carrying amount approximated its fair value at the date of transfer.

(iii) All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

(iv) The property rental income earned by the Group from its investment properties which are either held for rental income under operating leases and/or for capital appreciation purpose, amounted to HK$612,547,000 (2012: HK$563,080,000) with negligible direct operating expenses.

(v) During the year ended 31 December 2013, the Group disposed of certain investment properties for cash proceeds of HK$215,915,000 (2012: HK$187,357,000).

(vi) The fair values of the Group's investment properties at 31 December 2013 and 31 December 2012 have been arrived at on the basis of valuations carried out on that date by DTZ, except that investment properties as at 31 December 2013 with an aggregate fair value of approximately HK$341 million were only fair-valued by DTZ at the acquisition date (see note 44) and the directors of the Company consider that the fair value at the acquisition date approximated that as at 31 December 2013. DTZ is a member of the Institute of Valuers and a firm of independent qualified professional valuers not connected to the Group. DTZ possesses appropriate qualifications and experience in the valuation of properties in the relevant locations. All of the Group's investment properties were valued by DTZ with reference to market evidence of transaction prices for similar properties in similar locations and conditions, or on the basis of income approach or investment approach, where appropriate. In arriving at the valuation on the basis of income approach or investment approach, the fair value is determined by capitalising the net rental income derived from the existing tenancies with due provision or allowance for the reversionary potential of the properties. There has been no change from the valuation technique used in the prior year.

(vii) In estimating the fair value of the properties, the highest and best use of the properties is their current use.

16. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(viii) Following are the key inputs used in valuing the investment properties as at 31 December 2013:

Category	Fair value hierarchy	Fair value at 31 December 2013 HK$'000	Valuation techniques	Key unobservable inputs	Range or weighted average	Relationship of unobservable inputs to fair value
Office properties	Level 3	2,405,569	Investment approach	Reversionary yield (derived from existing contracts rent and monthly market rent)	6.0%-7.0%	The higher the reversionary yield, the lower the fair value.
		2,063,764	Income capitalisation	Reversionary yield (derived from monthly market rent)	5.0%-6.0%	The higher the reversionary yield, the lower the fair value.
Car parking spaces	Level 3	48,656	Investment approach	Reversionary yield (derived from monthly market rent)	5.5%	The higher the reversionary yield, the lower the fair value.
		58,899	Comparison approach	Adjustment to transaction price (to reflect location, age and maintenance)	22.8%-30.4%	The larger the adjustment, the higher the fair value.
Residential properties	Level 3	24,328	Comparison approach	Adjustment to transaction price (to reflect direction and height)	10.0%-16.0%	The larger the adjustment, the higher the fair value.
Industrial properties	Level 3	341,000	Comparison approach	Adjustment to transaction price (to reflect location, size, age and maintenance)	0.6%	The larger the adjustment, the higher the fair value.
		158,387	Income capitalisation	Reversionary yield (derived from monthly market rent)	6.0%	The higher the reversionary yield, the lower the fair value.
Commercial properties	Level 3	3,263,391	Investment approach	Reversionary yield (derived from existing contracts rent and monthly market rent)	4.5%-8.0%	The higher the reversionary yield, the lower the fair value.
		1,415,468	Income capitalisation	Reversionary yield (derived from monthly market rent)	5.0%	The higher the reversionary yield, the lower the fair value.
		9,779,462				

There were no transfers into or out of Level 3 during the year.

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17. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST							
At 1 January 2012	369,792	1,266,642	777,520	157,741	1,788,764	535,309	4,895,768
Exchange adjustments	5,135	9,990	2,440	1,360	4,825	5,129	28,879
Acquisition of Nanfang Water (Note 43(I))	–	934	4,536	9,246	3	–	14,719
Acquisition of other subsidiaries (Note 43(II))	–	–	234	–	–	–	234
Additions	97	80,863	35,345	22,320	92,812	81,518	312,955
Transfers/reclassifications (Note iii)	–	362,483	–	–	39,134	(154,945)	246,672
Disposals/written off	(23)	(22,115)	(25,584)	(14,300)	(44,399)	(10,408)	(116,829)
Disposal of subsidiaries (Note 45)	–	–	(734)	(2,691)	–	–	(3,425)
At 31 December 2012	375,001	1,698,797	793,757	173,676	1,881,139	456,603	5,378,973
Exchange adjustments	22,127	35,950	23,309	5,141	56,492	9,031	152,050
Additions through acquisition of a subsidiary (Note 44)	–	–	42	–	–	–	42
Additions	4,737	16,165	3,964	22,713	215,457	26,146	289,182
Reclassified as held for sale (Note 34)	–	–	(740)	(578)	–	–	(1,318)
Transfers/reclassification (Note iii)	216,062	152,378	25,167	2,464	66,648	(328,443)	134,276
Disposals/written off	(119)	(69,288)	(27,931)	(26,186)	(127,436)	–	(250,960)
Disposal of a subsidiary (Note 45(III))	–	–	(1,089)	(1,452)	–	–	(2,541)
At 31 December 2013	617,808	1,834,002	816,479	175,778	2,092,300	163,337	5,699,704
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1 January 2012	51,251	230,839	323,623	86,415	1,012,988	–	1,705,116
Exchange adjustments	1,252	1,921	1,234	1,490	3,597	–	9,494
Provided for the year	27,602	60,572	54,860	23,438	96,143	–	262,615
Eliminated on disposals/written off	(5)	(177)	(24,488)	(7,774)	(24,984)	–	(57,428)
Eliminated on disposal of subsidiaries (Note 45)	–	–	(552)	(2,319)	–	–	(2,871)
At 31 December 2012	80,100	293,155	354,677	101,250	1,087,744	–	1,916,926
Exchange adjustments	4,391	12,827	13,068	3,217	28,369	–	61,872
Provided for the year	36,648	69,039	39,171	23,297	104,928	–	273,083
Reclassified as held for sale (Note 34)	–	–	(428)	(309)	–	–	(737)
Eliminated on disposals/written off	(90)	(3,176)	(26,691)	(17,815)	(101,579)	–	(149,351)
Eliminated on disposal of a subsidiary (Note 45(III))	–	–	(568)	(1,078)	–	–	(1,646)
At 31 December 2013	121,049	371,845	379,229	108,562	1,119,462	–	2,100,147
CARRYING VALUES							
At 31 December 2013	496,759	1,462,157	437,250	67,216	972,838	163,337	3,599,557
At 31 December 2012	294,901	1,405,642	439,080	72,426	793,395	456,603	3,462,047

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE COMPANY				
COST				
At 1 January 2012	2,803	24,551	6,655	34,009
Additions	–	3,587	–	3,587
Written off	–	(20,279)	(335)	(20,614)
At 31 December 2012	2,803	7,859	6,320	16,982
Additions	–	346	–	346
At 31 December 2013	2,803	8,205	6,320	17,328
DEPRECIATION				
At 1 January 2012	1,157	23,619	5,836	30,612
Provided for the year	112	877	638	1,627
Eliminated on written off	–	(20,274)	(335)	(20,609)
At 31 December 2012	1,269	4,222	6,139	11,630
Provided for the year	112	1,276	181	1,569
At 31 December 2013	1,381	5,498	6,320	13,199
CARRYING VALUES				
At 31 December 2013	1,422	2,707	–	4,129
At 31 December 2012	1,534	3,637	181	5,352

Notes:

(i) The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Hotel property	Over the period of the lease term
Leasehold land and buildings	The shorter of 4%-5% or over the period of the lease term
Furniture, fixtures and equipment	10%-33$^{1}/_{3}$% or over the period of the lease in case of fixtures in rented premises
Motor vehicles	10%-30%
Plant and machinery	5%-20%

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes: (Continued)

(ii) The carrying values of property interests comprise properties erected on land held under:

	THE GROUP 2013 HK$'000	THE GROUP 2012 HK$'000	THE COMPANY 2013 HK$'000	THE COMPANY 2012 HK$'000
Medium-term land use rights in the PRC	1,562,280	1,289,082	1,422	1,534
Medium-term leases in Hong Kong	396,636	411,461	–	–
	1,958,916	1,700,543	1,422	1,534

(iii) During the year ended 31 December 2013, the Group transferred properties held for sale of HK$134,276,000 (2012: HK$246,672,000) from inventories to property, plant and equipment upon the change of intended use of the property from sale to owner occupied purpose.

18. PREPAID LEASE PAYMENTS

	2013 HK$'000	2012 HK$'000
The Group's prepaid lease payments comprise medium-term land use rights in the PRC	140,854	139,723
Analysed for reporting purposes as:		
Current portion	3,490	3,355
Non-current portion	137,364	136,368
	140,854	139,723

19. TOLL ROAD OPERATING RIGHTS

	HK$'000
COST	
At 1 January 2012	16,262,225
Exchange adjustments	145,632
At 31 December 2012	16,407,857
Exchange adjustments	522,484
Additions	83,256
Government grant (Note 53)	(25,230)
At 31 December 2013	16,988,367
AMORTISATION	
At 1 January 2012	1,873,321
Exchange adjustments	23,892
Charged for the year	610,895
At 31 December 2012	2,508,108
Exchange adjustments	83,880
Charged for the year	721,631
At 31 December 2013	3,313,619
CARRYING VALUES	
At 31 December 2013	13,674,748
At 31 December 2012	13,899,749

Notes:

(i) The toll road operating rights represent:

(a) the right to receive toll fees from vehicles using the Shanghai section of the Jing-Hu Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 25 years ending in 2028;

(b) the right to receive toll fees from vehicles using the Shanghai section of the Hu-Kun Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 30 years ending in 2030; and

(c) the right to receive toll fees from vehicles using the Shanghai section of Hu-Yu Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 20 years ending in 2027.

(ii) The Group's rights to operate the toll roads are amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the period for which the Group is granted the rights to operate the toll roads.

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20. OTHER INTANGIBLE ASSETS

	Operating concessions HK$'000 (Note i)	Trademark HK$'000 (Note ii)	Total HK$'000
COST			
At 1 January 2012	1,133,638	62,870	1,196,508
Exchange adjustments	13,154	563	13,717
Acquisition of Nanfang Water (Note 43(I))	145,165	–	145,165
Additions	158,221	–	158,221
Government grant (Note 53)	(156,687)	–	(156,687)
Derecognition upon relocation of a water plant (Note 53)	(72,105)	–	(72,105)
At 31 December 2012	1,221,386	63,433	1,284,819
Exchange adjustments	37,007	1,868	38,875
Additions	462,198	–	462,198
Government grant (Note 53)	(67,524)	–	(67,524)
Disposals	(195,232)	–	(195,232)
At 31 December 2013	1,457,835	65,301	1,523,136
AMORTISATION AND IMPAIRMENT			
At 1 January 2012	38,748	–	38,748
Exchange adjustments	1,213	–	1,213
Charged for the year	47,005	–	47,005
Eliminated upon relocation of a water plant (Note 53)	(75)	–	(75)
At 31 December 2012	86,891	–	86,891
Exchange adjustments	2,283	–	2,283
Charged for the year	57,284	–	57,284
Disposals	(52,177)	–	(52,177)
At 31 December 2013	94,281	–	94,281
CARRYING VALUES			
At 31 December 2013	1,363,554	65,301	1,428,855
At 31 December 2012	1,134,495	63,433	1,197,928

20. OTHER INTANGIBLE ASSETS (Continued)

Notes:

(i) Operating concessions represent the rights to operate sewage and water treatment plants and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on straight-line basis over the respective periods of the operating concessions granted to the Group of 20 to 50 years. Details of these operating concessions are set out in Note 26.

(ii) The trademark has a legal life of 10 years from September 2011 to September 2021 and is renewable upon expiry. The directors of the Company are of the opinion that the Group will renew the trademark continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash inflow for the Group.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing, trademark with indefinite useful life set out above has been allocated to the individual cash generating unit ("CGU"), comprising one subsidiary in the real estate segment. For the year ended 31 December 2013, management of the Group has determined that there is no impairment (2012: Nil) of the CGU containing trademark by reference to the recoverable amount of the CGU, which has been determined based on a value in use calculation.

21. INVESTMENTS IN SUBSIDIARIES

	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	556,477	556,477
Deemed contribution	185,214	–
	741,691	556,477

Note: Upon the issuance of the convertible bonds by a subsidiary of the Company (Note 38), the Company's obligation to deliver a fixed number of its ordinary shares when the bonds are converted is accounted for as deemed contribution to the subsidiary.

Details of the Company's principal subsidiaries are set out in Note 54.

For the year ended 31 December 2013

22. INTERESTS IN JOINT VENTURES

	THE GROUP		THE COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Cost of unlisted investments in joint ventures	1,320,434	974,660	–	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	924,586	806,386	–	–
	2,245,020	1,781,046	–	–
Loan to a joint venture (Note i)	384,123	–	384,123	–
	2,629,143	1,781,046	384,123	–

Notes:

(i) As at 31 December 2013, loan to a joint venture was unsecured, carrying fixed interest at 6.3% per annum and fully repayable in 2017.

(ii) Summarised financial information in respect of each of the Group's material interests in joint ventures, namely 上海星河數碼投資有限公司 ("Shanghai Galaxy") and 中環保水務投資有限公司 (General Water of China Co., Ltd.) ("General Water"), is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

	Shanghai Galaxy		General Water	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Current assets	360,722	195,911	1,878,115	1,381,690
Non-current assets*	3,056,822	760,371	7,152,054	6,333,171
Current liabilities	(471,484)	(3,570)	(3,579,387)	(2,703,807)
Non-current liabilities	(1,282,446)	–	(1,785,811)	(1,586,779)
Non-controlling interests	(85,342)	–	(1,092,737)	(981,277)
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	67,509	8,671	740,183	590,143
Current financial liabilities (excluding trade and other payables and provisions)	–	–	(1,061,460)	(1,223,995)
Non-current financial liabilities (excluding trade and other payables and provisions)	(1,282,446)	–	(1,579,055)	(1,391,430)

* The balances of Shanghai Galaxy mainly comprise property, plant and equipment and the balances of General Water mainly comprise operating concessions.

22. INTERESTS IN JOINT VENTURES/INVESTMENT IN A JOINT VENTURE (Continued)

Notes: (Continued)

(ii) (Continued)

	Shanghai Galaxy		General Water	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Revenue	176,576	47,268	1,576,932	1,596,822
Profit (loss) for the year	86,673	(24,945)	119,926	94,416
Other comprehensive income (expense) for the year	42,882	(64,682)	73,008	21,813
Total comprehensive income (expense) for the year	129,555	(89,627)	192,934	116,229
Dividends received from joint ventures during the year	–	–	–	–
The above profit (loss) for the year include the following:				
Depreciation and amortisation	6,126	309	271,335	264,499
Interest income	1,858	6,143	16,992	18,053
Interest expense	(39,103)	(39,341)	(158,287)	(167,662)
Income tax expense	(26,412)	(3,371)	(56,002)	(20,946)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	Shanghai Galaxy		General Water	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Equity attributable to owners of the joint venture	1,578,272	952,712	2,572,234	2,442,998
Proportion of the Group's ownership interest	50%	50%	47.5%	47.5%
Carrying amount of the Group's interest in the joint venture	789,136	476,356	1,221,811	1,160,424

22. INTERESTS IN JOINT VENTURES/INVESTMENT IN A JOINT VENTURE (Continued)

Notes: (Continued)

(ii) (Continued)

Aggregate information of joint ventures that are not individually material:

	2013 HK$'000	2012 HK$'000
The Group's share of profit	13,984	19,229
The Group's share of other comprehensive income	1,274	669
The Group's share of total comprehensive income	15,258	19,898
Aggregate carrying amount of the Group's interests in these joint ventures	234,073	144,266

(iii) The Group has discontinued recognition of its share of losses of certain joint ventures. The amounts of unrecognised share of those joint ventures, both for the year and cumulatively, are as follows:

	THE GROUP	
	2013 HK$'000	2012 HK$'000
Unrecognised share of losses of joint ventures for the year	39	307
Accumulated unrecognised share of losses of joint ventures	5,748	5,709

(iv) Details of the Group's principal joint ventures at the end of the reporting period are set out in Note 55.

23. INTERESTS IN ASSOCIATES

	2013 HK$'000	2012 HK$'000
Cost of unlisted investments in associates	1,731,475	1,736,827
Share of post-acquisition profits and other comprehensive income, net of dividends received	365,986	355,283
	2,097,461	2,092,110
Less: Impairment loss recognised	(50,418)	(50,418)
	2,047,043	2,041,692
Interest in an associate classified as held for sale (Note 34)	–	(74,923)
	2,047,043	1,966,769

23. INTERESTS IN ASSOCIATES (Continued)

Notes:

(i) Included in the cost of investments is goodwill arising on their acquisition in prior years. Details of goodwill are set out below:

	HK$'000
COST	
At 1 January 2012, 31 December 2012 and 31 December 2013	3,370
IMPAIRMENT	
At 1 January 2012, 31 December 2012 and 31 December 2013	–
CARRYING VALUES	
At 1 January 2012, 31 December 2012 and 31 December 2013	3,370

(ii) Summarised financial information in respect of the Group's material associate (excluding the associate classified as held for sale as at 31 December 2012) namely 上海莘天置業有限公司 ("Shanghai Shentian"), is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All associates are accounted for using the equity method in these consolidated financial statements.

	Shanghai Shentian	
	2013 HK$'000	2012 HK$'000
Current assets*	3,705,148	3,537,714
Non-current assets	–	7,406
Current liabilities	(55,980)	(343)
Non-current liabilities	–	–

* The balances mainly comprise land costs relating to properties under development held for sale.

	Shanghai Shentian	
	2013 HK$'000	2012 HK$'000
Revenue	–	–
Profit for the year	–	–
Other comprehensive income for the year	36,537	11,012
Total comprehensive income for the year	36,537	11,012
Dividends received from the associate during the year	–	–

23. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(ii) (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	Shanghai Shentian	
	2013 HK$'000	**2012 HK$'000**
Equity attributable to owners of the associate	3,649,168	3,544,777
Proportion of the Group's ownership interest	35%	35%
Carrying amount of the Group's interest in the associate	1,277,209	1,240,672

Aggregate information of associates that are not individually material:

	2013 HK$'000	**2012 HK$'000**
The Group's share of profit	22,788	13,512
The Group's share of other comprehensive income	25,028	7,899
The Group's share of total comprehensive income	47,816	21,411
Aggregate carrying amount of the Group's interests in these associates	820,252	851,438

(iii) Details of the Group's principal associates at the end of the reporting period are set out in Note 56.

24. AMOUNTS DUE FROM/TO SUBSIDIARIES

At the end of the reporting period, amounts due from subsidiaries were unsecured. Except for amounts of approximately HK$1,280 million and HK$512 million (2012: HK$1,244 million and HK$435 million) which carry fixed interest at 4.3% and 4.35% per annum (2012: fixed interest at 4.3% and 3% per annum) and are repayable in May 2014 and September 2014 (2012: May 2014 and October 2013), respectively, the other balances are non-interest bearing and repayable on demand.

At the end of the reporting period, amounts due to subsidiaries classified as current liabilities were unsecured. Except for an amount of HK$4,950 million (2012: HK$5,800 million) which carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus a spread, ranging from 1.03% to 2.00% (2012: 1.03% to 2.00%) per annum and is repayable in 2014 (2012: 2013), the balances are non-interest bearing and repayable on demand.

As at 31 December 2013, amount due to a subsidiary classified as non-current liabilities was unsecured, carrying fixed interest at 1% per annum and repayable in 2018.

25. INVESTMENTS

	THE GROUP		THE COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Available-for-sale investments				
Listed equity securities in				
– Hong Kong	125,364	128,580	–	–
– elsewhere	24,490	64,714	–	–
Unlisted equity securities in				
– Hong Kong (Note ii)	5	5	–	–
– elsewhere (Note ii)	977,475	766,838	59,270	59,270
Unlisted trust funds (Notes ii and iii)	71,703	124,378	–	–
	1,199,037	1,084,515	59,270	59,270
Investments held-for-trading				
Listed equity securities in				
– Hong Kong	168,885	240,170	–	–
– elsewhere	2,074	12,887	–	–
	170,959	253,057	–	–
Financial assets designated as at FVTPL				
– Structured deposits (Note iv)	299,455	–	157,457	–
– Listed convertible notes	–	30,937	–	–
	299,455	30,937	157,457	–
	1,669,451	1,368,509	216,727	59,270
Fair values of listed equity investments	320,813	446,351	–	–
Analysed for reporting purposes as:				
Current	542,117	408,372	157,457	–
Non-current	1,127,334	960,137	59,270	59,270
	1,669,451	1,368,509	216,727	59,270

25. INVESTMENTS (Continued)

Notes:

(i) At the end of the reporting period, except for those unlisted equity investments and unlisted trust funds, of which the fair values cannot be measured reliably, all available-for-sale investments and financial assets at FVTPL are stated at their fair values, which are determined by reference either to (a) bid prices quoted in active markets, or (b) prices provided by the respective issuing banks or financial institutions using valuation techniques.

(ii) The above investments in unlisted equity securities and trust funds are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

(iii) The trust funds invested in wide ranges of equity or debt investment products.

(iv) Structured deposits as at 31 December 2013 carried interest at variable rates, ranging from 0% to 8.8% per annum. Notional amount of these structured deposits amounted to approximately HK$288 million. Interest rates of these structured deposits vary depending on the movement of foreign exchange rate of Renminbi against United States dollar at the respective maturity dates and those features constitute non-closely related embedded derivatives. Their fair values at the end of the reporting period are quoted by the counterparty financial institutions.

26. SERVICE CONCESSION ARRANGEMENTS

(I) Nature of arrangements

The Group engages in the businesses of sewage treatment and water supply in the PRC and has entered into a number of service concession arrangements with certain governmental authorities or their agencies in the PRC on a Build-Operate-Transfer ("BOT") or a Transfer-Operate-Transfer ("TOT") basis in respect of its businesses. These service concession arrangements generally involve the Group as an operator to (i) construct sewage and water treatment plants for those arrangements on a BOT basis; (ii) pay a specific amount for those arrangements on a TOT basis; (iii) operate and maintain the sewage and water treatment plants at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 20 to 50 years (the "service concession periods"), and the Group will be paid by the users for its services over the relevant periods of the service concession arrangements at prices stipulated through pricing mechanism.

The Group is generally entitled to operate all the property, plant and equipment of the sewage and water treatment plants, however, the relevant governmental authorities as grantors control and regulate the scope of services, and retain the beneficial entitlement to any residual interest in the sewage and water treatment plants at the end of the service concession periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authorities or their agencies in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the sewage and water treatment plants to a specified level of serviceability at the end of the service concession periods, and arrangements for arbitrating disputes.

26. SERVICE CONCESSION ARRANGEMENTS (Continued)

(I) Nature of arrangements (Continued)

At 31 December 2013, the Group had thirty (2012: twenty-eight) service concession arrangements on sewage treatment, four (2012: four) service concession arrangements on water treatment and distribution and one (2012: one) service concession arrangement on waste incineration. A summary of the major terms of the principal service concession arrangements is set out below:

Name of subsidiary as operator	Name of sewage and water treatment plant	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity tons/day	Service concession period
東莞市大朗水口興寶水務有限公司	東莞市大朗污水處理廠	Dongguan, Guangdong Province, the PRC	東莞大朗鎮人民政府	BOT	100,000	25 years from 2009 to 2034
濰坊市自來水有限公司	濰坊市自來水	Weifang, Shandong Province, the PRC	濰坊市人民政府	BOT	320,000	25 years from 2007 to 2031
濰坊市聯合潤通污水處理有限公司	濰坊市高新產業開發區污水處理廠	Weifang, Shandong Province, the PRC	濰坊市人民政府	BOT	50,000	20 years from 2007 to 2027
聯合潤通水務股份有限公司	濰坊市污水處理廠	Weifang, Shandong Province, the PRC	濰坊市人民政府	TOT	100,000	20 years from 2004 to 2024
德州市聯合潤通水務有限公司	德州市污水處理廠	Dezhou, Shandong Province, the PRC	德州市建設委員會	TOT	100,000	20 years from 2006 to 2026
武漢漢西污水處理有限公司	武漢漢西污水處理廠	Wuhan, Hubei Province, the PRC	武漢市人民政府	BOT	400,000	25 years from 2004 to 2029
黃石凱迪水務有限公司	湖北黃石污水處理項目	Huangshi, Hubei Province, the PRC	黃石市市政公用局	BOT	125,000	27 years from 2008 to 2035
武漢黃陂凱迪水務有限公司	武漢黃陂供水項目	Wuhan, Hubei Province, the PRC	武漢市黃陂區政府	BOT	150,000	30 years from 2008 to 2038
武漢新城污水處理有限公司	武漢新城污水處理項目	Wuhan, Hubei Province, the PRC	武漢經濟技術開發區管委會	BOT	60,000	20 years from 2004 to 2024
深圳市南方水務有限公司	深圳市福永污水處理廠	Shenzhen, Guangdong Province, the PRC	深圳市水務局	BOT	280,000	22 years from 2009 to 2031

26. SERVICE CONCESSION ARRANGEMENTS (Continued)

(I) Nature of arrangements (Continued)

As explained in the accounting policy for "Service concession arrangements" set out in Note 4, a service concession arrangement is accounted for as an intangible asset (operating concession) or a financial asset (receivable under service concession arrangement) or a combination of both, as appropriate. The intangible asset component is detailed in note 20, and the financial asset component is as follows:

	2013 HK$'000	2012 HK$'000
Receivables under service concession arrangements	3,860,612	3,492,208
Less: current portion classified as current assets	(115,426)	(92,964)
Non-current portion	3,745,186	3,399,244

During the year, the Group recognised interest income of HK$239,759,000 (2012: HK$148,408,000) as other income and construction income of HK$497,894,000 (2012: HK$131,873,000) as revenue under the line item "income from infrastructure facilities" from service concession arrangements. The effective interest rate applied ranges from 5.76% to 13.00% (2012: 5.76% to 13.00%) per annum.

(II) Provision for major overhauls

Pursuant to the service concession agreements, the Group has contractual obligations to maintain the sewage and water treatment plants to a specified level of serviceability and/or to restore the plants to a specified condition before they are handed over to the grantors at the end of the service concession periods. These contractual obligations to maintain or restore the sewage and water treatment plants, except for any upgrade element, are recognised and measured in accordance with HKAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

The movements in the provision for the major overhauls of sewage and water treatment plants during the current and prior years are as follows:

	HK$'000
At 1 January 2012	74,047
Exchange adjustments	641
Additional provision included in cost of sales	8,739
Utilisation	(3,911)
At 31 December 2012	79,516
Exchange adjustments	2,342
Utilisation	(4,048)
At 31 December 2013	77,810

27. DEPOSITS PAID ON ACQUISITION OF A SUBSIDIARY/PROPERTY, PLANT AND EQUIPMENT

Deposit paid on acquisition of a subsidiary represents a deposit paid by the Group for the acquisition of 100% equity interest in Shanghai Qingpu Second Waste Water Treatment Plant Co., Limited ("Shanghai Qingpu"). The acquisition was subsequently completed in February 2014 as detailed in Note 60(iii).

Deposits paid on acquisition of property, plant and equipment represent deposits paid by the Group in connection with the acquisition of property, plant and equipment for the Group's new production facilities.

The related capital commitments are disclosed in Note 47.

28. RESTRICTED BANK DEPOSITS

These mainly represent certain deposits, the use of which by the Group is restricted as a result of a commercial court case brought by a non-controlling shareholder of a subsidiary. The restricted bank deposits carry interest at a fixed rate of 0.5% (2012: 0.5%) per annum.

29. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Amortisation of toll road operating rights HK$'000	EIT on revaluation of investment properties HK$'000	LAT on revaluation of investment properties HK$'000	Tax losses HK$'000	Fair value adjustments on business combinations HK$'000	Undistributed earnings of PRC entities HK$'000	EIT on fair value adjustments on properties under development/ properties held for sale HK$'000	LAT on properties under development/ properties held for sale HK$'000	Convertible bonds HK$'000	Other deferred tax liabilities HK$'000	Other deferred tax assets HK$'000	Total HK$'000
At 1 January 2012	133,890	188,534	1,020,144	1,643,866	(29,808)	1,814,080	149,587	295,131	218,976	-	146,805	(323,552)	5,257,653
Exchange adjustments	129	7,164	35,130	6,774	(326)	55,375	9	3,859	1,231	-	2,444	(1,462)	110,327
Acquisition of Nanfang Water (Note 43(I))	-	-	-	-	-	97,685	-	-	-	-	16,693	(14,353)	100,025
Charged (credited) to profit or loss	6,046	69,715	9,940	(122,604)	23,726	(30,406)	143,596	5,675	(62,438)	-	(74,179)	(11,390)	(42,319)
At 31 December 2012	140,065	265,413	1,065,214	1,528,036	(6,408)	1,936,734	293,192	304,665	157,769	-	91,763	(350,757)	5,425,686
Exchange adjustments	807	8,779	31,581	42,722	(156)	56,235	2,041	9,123	4,304	-	5,400	(17,440)	143,396
Issue of convertible bonds	-	-	-	-	-	-	-	-	-	70,772	-	-	70,772
Additions through acquisition of a subsidiary (Note 44)	965	-	-	-	-	-	-	-	-	-	-	-	965
Charged (credited) to profit or loss	36,659	58,169	(26,365)	(189,502)	(3,637)	(45,480)	(54,501)	(15,112)	(22,896)	(11,919)	8,884	3,184	(262,516)
At 31 December 2013	178,496	332,361	1,070,430	1,381,256	(10,201)	1,947,489	240,732	298,676	139,177	58,853	106,047	(365,013)	5,378,303

29. DEFERRED TAXATION (Continued)

Notes:

(i) For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2013 HK$'000	2012 HK$'000
Deferred tax liabilities	5,638,378	5,696,608
Deferred tax assets	(260,075)	(270,922)
	5,378,303	5,425,686

(ii) At the end of the reporting period, the Group had unused tax losses of approximately HK$3,794.4 million (2012: HK$3,318.0 million) available for offset against future assessable profits. A deferred tax asset amounting to approximately HK$10.2 million (2012: HK$6.4 million) in respect of tax losses amounting to approximately HK$40.8 million (2012: HK$25.6 million) has been recognised. No deferred tax asset was recognised in respect of the remaining tax losses of approximately HK$3,753.6 million (2012: HK$3,292.4 million) due to the unpredictability of future profit streams. The Hong Kong tax losses of approximately HK$19.9 million (2012: HK$16.6 million) may be carried forward indefinitely and the remaining PRC tax losses of approximately HK$3,774.5 million (2012: HK$3,301.4 million) will expire in various dates in the next five years.

(iii) Under the Law of the PRC on EIT, withholding tax is imposed on dividends declared in respect of profits earned by PRC entities from 1 January 2008 onwards. At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised was approximately HK$638 million (2012: HK$329 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

(iv) Other deferred tax liabilities mainly include deferred tax on fair value change of financial assets classified as held for trading. Other deferred tax assets include deferred tax on (a) impairment loss on bad and doubtful debts, (b) pre-operating expenses and (c) accrued expenses.

30. INVENTORIES

	2013 HK$'000	2012 HK$'000
Properties under development held for sale	34,392,018	40,373,822
Properties held for sale	12,013,260	9,405,137
Raw materials	1,328,388	1,032,452
Work in progress	73,196	83,332
Finished goods	125,421	120,050
Merchandise held for resale	9,776	6,799
	47,942,059	51,021,592

At 31 December 2013, included in the above balance were properties under development held for sale of HK$27,452,970,000 (2012: HK$28,644,453,000) which are not expected to be realised within one year.

30. INVENTORIES (Continued)

As at 31 December 2013, included in properties under development held for sale are 4 pieces of land with an aggregate carrying amount of RMB4,206,852,000 (equivalent to HK$5,386,494,000) which were obtained from Shanghai Xuhui District Planning and Land Administration Bureau 上海市徐匯區規劃和土地管理局 ("Shanghai Xuhui") under a land swap arrangement (the "Arrangement"). Under the Arrangement, the Group transferred a piece of land with a similar carrying amount to Shanghai Xuhui. No land premium or any other amounts are payable by the Group for the land swap. In the opinion of the directors of the Company, there is no material difference in the fair values of the land in the Arrangement. The land swap procedures had been completed at the end of the reporting period.

31. TRADE AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables	1,112,578	828,431
Less: allowance for doubtful debts	(18,827)	(2,151)
	1,093,751	826,280
Other receivables (Note vi)	5,104,923	5,504,364
Total trade and other receivables	6,198,674	6,330,644

Notes:

(i) Before accepting any new customer, the Group assesses the potential customer's credit quality by investigating their historical credit records and defines credit limits by customer. Credit sales are made to customers with good credit history and credit limits granted to customers are under regular review. Majority of the trade receivables that are neither past-due nor impaired has no default payment history.

(ii) The Group generally allows credit periods ranging from 30 days to 180 days to its trade customers, other than property buyers. For property sales, due to the nature of business, the Group generally grants no credit period to property buyers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

	2013 HK$'000	2012 HK$'000
Within 30 days	288,178	282,414
Within 31-60 days	172,099	151,790
Within 61-90 days	226,304	150,817
Within 91-180 days	134,422	86,733
Within 181-365 days	169,979	102,537
Over 365 days	102,769	51,989
	1,093,751	826,280

31. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(iii) Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$374,979,000 (2012: HK$133,127,000) which were past due at the reporting date but for which the Group has not provided for impairment loss because management is of the opinion that the amounts will be fully recoverable as there has not been any significant deterioration in credit quality of the debtors. The Group does not hold any collateral over these balances.

(iv) Ageing of trade receivables which were past due but not impaired

	2013 HK$'000	**2012 HK$'000**
31-60 days	29,403	56,561
61-90 days	34,572	19,158
91-180 days	51,994	11,200
181-365 days	163,410	36,240
Over 365 days	95,600	9,968
Total	374,979	133,127

(v) Movements in the allowance for doubtful debts

	2013 HK$'000	**2012 HK$'000**
Balance at beginning of the year	2,151	61,159
Impairment losses recognised on receivables	17,530	2,632
Amounts written off as uncollectible	(854)	(27,953)
Amounts recovered during the year	–	(33,687)
Balance at end of the year	18,827	2,151

(vi) At 31 December 2013, included in other receivables were (a) consideration receivables of HK$1,419,628,000 (2012: HK$1,349,044,000) and (b) amounts of HK$1,876,426,000 (2012: HK$1,695,116,000) due from certain associates in which an amount of HK$1,769,996,000 (2012: HK$1,610,450,000) carries fixed interest at prevailing market interest rate. Other receivables as at 31 December 2012 also included amounts HK$128,755,000 (2013: Nil) due from entities controlled by State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District ("Xuhui SASAC") (see Note 51(I)(e)).

32. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2013 HK$'000	2012 HK$'000
Contracts in progress in relation to construction of sewage and water treatment plants at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	565,689	896,190
Less: progress billings	(491,839)	(866,226)
	73,850	29,964
Analysed for reporting purposes as:		
Amounts due from contract customers	94,259	102,093
Amounts due to contract customers	(20,409)	(72,129)
	73,850	29,964

As at 31 December 2013, retentions held by customers for contract works amounted to HK$8,796,000 (2012: HK$19,759,000).

33. PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS AND BANK BALANCES AND CASH

THE GROUP

(i) Bank deposits with maturity of less than one year of HK$512,231,000 (2012: HK$447,838,000) have been pledged to secure the Group's general banking facilities and are therefore classified as current assets. The pledged bank deposits carry interest at fixed interest rates, ranging from 0.35% to 3.50% (2012: 0.35% to 2.50%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

(ii) Short-term bank deposits with maturity of more than three months carry interest at market rates, ranging from of 3.21% to 4.18% (2012: 1.49%) per annum.

(iii) Bank balances (including bank deposits with maturity of less than three months) carry interest at market rates, ranging from 0.00% to 3.50% (2012: 0.00% to 3.75%) per annum.

(iv) The amounts of the Group's pledged bank deposits, short-term bank deposits and bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	THE GROUP	
	2013 HK$'000	2012 HK$'000
Renminbi	2,405,877	1,311,059
United States dollar	294,598	1,086,914
Hong Kong dollar	62,024	87,453

33. PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS AND BANK BALANCES AND CASH (Continued)

THE COMPANY

(i) Bank balances (including bank deposits with maturity of less than three months) carry interest at market rates, ranging from 0.00% to 3.50% (2012: 0.00% to 3.15%) per annum.

(ii) Included in bank balances and cash are amounts of HK$131,398,000 (2012: HK$633,846,000) denominated in United States dollar, a currency other than the functional currency of the Company.

34. DISPOSAL GROUP HELD FOR SALE/ASSETS CLASSIFIED AS HELD FOR SALE

(I) A disposal group held for sale as at 31 December 2013

In November 2013, the Group resolved to dispose of its 100% interest in Shanghai Feng Qi Properties Co., Ltd. ("Feng Qi Shanghai"), a limited liability company established in the PRC. Feng Qi Shanghai is owned by the Company, through two wholly owned investment holding subsidiaries, and SI Development, a 63.65% owned subsidiary of the Company, as to 49% and 51%, respectively. Feng Qi Shanghai owns a development project on a piece of land located at Qingpu District in Shanghai, the PRC.

Subsequently on 26 November 2013, the Company entered into a sale and purchase agreement with an independent third party (the "Purchaser") and pursuant to which, the Company agreed to dispose of its 49% interest in Feng Qi Shanghai and the two investment holding subsidiaries to the Purchaser for a consideration of RMB821,419,000 (equivalent to HK$1,040,957,000). SI Development also entered into two separate sale and purchase agreements on 7 January 2014 and 28 January 2014 with the Purchaser and pursuant to which, SI Development agreed to dispose of its 51% interest in Feng Qi Shanghai to the Purchaser for an aggregate consideration of RMB855,000,000 (equivalent to HK$1,085,496,000).

The subsidiaries to be disposed of are collectively referred to as the "Feng Qi Group". The assets and liabilities attributed to the Feng Qi Group, which are expected to be sold within twelve months from the end of reporting period, have been classified as assets held for sale and are presented separately in the consolidated statement of financial position at 31 December 2013.

The above disposals have been completed at the date of issue of these consolidated financial statements and the considerations were also settled. The net proceeds of disposals exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss is considered necessary.

Further details of the above transactions are set out in the announcements of the Company dated 26 November 2013, 7 January 2014 and 28 January 2014.

34. DISPOSAL GROUP HELD FOR SALE/ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

(I) A disposal group held for sale as at 31 December 2013 (Continued)

The major classes of assets and liabilities of the Feng Qi Group, which have been presented separately in the consolidated statement of financial position as held for sale, are as follows:

	HK$'000
Property, plant and equipment	581
Inventories	921,906
Other receivables	166
Bank balances and cash	183,699
Total assets classified as held for sale	1,106,352
Other payables	17,683
Bank and other borrowings	637,947
Total liabilities associated with assets classified as held for sale	655,630

(II) Assets classified as held for sale as at 31 December 2013

Included in assets classified as held for sale as at 31 December 2013, which were presented separately in the consolidated statement of financial position at that date, are:

	HK$'000
Investment properties	132,458

As disclosed in Note 16, the Group entered into sales and purchase agreements during the year ended 31 December 2013 to dispose of certain investment properties to independent third parties. The disposals were to be completed upon fulfillment of certain conditions precedent. The investment properties, which had been fair-valued with reference to the disposal considerations, were classified as assets held for sale and presented separately in the consolidated statement of financial position as at 31 December 2013. Deposits of HK$66,249,000 were received by the Group before the end of the reporting period and are included in other payables as set out in Note 35.

34. DISPOSAL GROUP HELD FOR SALE/ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

(III) Assets classified as held for sale as at 31 December 2012

The assets classified as held for sale as at 31 December 2012, which were presented separately in the consolidated statement of financial position at that date, are as follows:

	HK$'000
Investment properties (Note i)	301,593
Interest in an associate (Note ii)	74,923
	376,516

Notes:

(i) As disclosed in Note 16, the Group entered into sales and purchase agreements during the year ended 31 December 2012 to dispose of certain investment properties to independent third parties for an aggregate consideration of RMB242,481,000 (equivalent to HK$302,119,000). The disposals were to be completed upon fulfillment of certain conditions precedent. The investment properties were classified as assets held for sale and presented separately in the consolidated statement of financial position as at 31 December 2012. The disposals were completed during year ended 31 December 2013.

(ii) In November 2012, the Group decided to dispose of its entire 30% equity interest in an associate, namely Zhejiang Tianwai Package Printing Co., Ltd. ("Zhejiang Tianwai"), to an independent third party for a consideration of RMB123,750,000 (equivalent to HK$154,135,000). The interest in Zhejiang Tianwai was classified as assets held for sale and presented separately in the consolidated statement of financial position as at 31 December 2012. The disposal was completed in June 2013.

(iii) The value of investment properties and interest in Zhejiang Tianwai at the respective dates of disposal during the current year were as follows:

	Investment properties HK$'000	Zhejiang Tianwai HK$'000	Total HK$'000
Assets/interest disposed of	302,119	75,298	377,417
Reclassification of translation reserve			
upon disposal to profit or loss	–	(24,503)	(24,503)
	302,119	50,795	352,914
Gain on disposal			
– interest in an associate	–	103,340	103,340
Total consideration	302,119	154,135	456,254
Satisfied by:			
Cash received in the current year	120,169	117,125	237,294
Consideration received in advance			
as at 31 December 2012 (Note 35)	181,950	37,010	218,960
	302,119	154,135	456,254
Cash inflow arising on disposal:			
Total cash consideration received in the current year	120,169	117,125	237,294

(iv) The impact of the disposed assets on the Group's results and cash flows in the current and prior years is not significant.

For the year ended 31 December 2013

35. TRADE AND OTHER PAYABLES

	2013 HK$'000	2012 HK$'000
Trade payables (Note i)	2,641,685	3,136,893
Consideration payables	325,348	316,041
Other payables (Note ii)	11,727,300	8,306,306
Total trade and other payables	14,694,333	11,759,240

Notes:

(i) The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2013 HK$'000	2012 HK$'000
Within 30 days	553,062	1,155,794
Within 31-60 days	136,522	161,667
Within 61-90 days	54,079	81,527
Within 91-180 days	63,458	83,340
Within 181-365 days	859,465	817,710
Over 365 days	975,099	836,855
	2,641,685	3,136,893

(ii) Included in other payables as at 31 December 2013 were (a) amounts of HK$310,088,000 (2012: HK$304,868,000) due to Xuhui SASAC and entities controlled by Xuhui SASAC (see Note 51(I)(e)), (b) amounts of HK$1,475,122,000 (2012: HK$1,509,080,000) due to certain fellow subsidiaries, which are unsecured and have no fixed terms of repayment, and except for HK$128,161,000 (2012: HK$124,378,000) carrying interest at a fixed rate of 4% (2012: 4%) per annum, the remaining balance is non-interest bearing, (c) aggregate consideration received in advance for disposal of assets classified as held for sale/disposal group held for sale (see Note 34) of HK$66,249,000 (2012: HK$218,960,000) and (d) accrued expenditure on properties under development of HK$4,905,338,000 (2012: HK$2,128,597,000).

36. CUSTOMER DEPOSITS FROM SALES OF PROPERTIES

These represent proceeds received on property sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy. An amount of approximately HK$458 million (2012: HK$4,545 million) is expected to be recognised as revenue after more than one year.

For the year ended 31 December 2013

37. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Bank loans	26,615,421	27,845,118	1,280,410	1,243,781
Other loans	4,249,304	4,986,560	–	–
	30,864,725	32,831,678	1,280,410	1,243,781
Analysed as:				
Secured	10,362,733	12,998,479	–	–
Unsecured	20,501,992	19,833,199	1,280,410	1,243,781
	30,864,725	32,831,678	1,280,410	1,243,781
Carrying amount repayable:				
Within one year	12,960,798	10,718,828	1,280,410	–
More than one year but not more than two years	10,283,455	9,712,185	–	1,243,781
More than two years but not more than five years	5,818,259	8,938,735	–	–
Over five years	1,802,213	3,461,930	–	–
	30,864,725	32,831,678	1,280,410	1,243,781
Less: amounts due within one year shown under current liabilities	(12,960,798)	(10,718,828)	(1,280,410)	–
	17,903,927	22,112,850	–	1,243,781

Notes:

(i) The exposure of the Group's and the Company's fixed-rate borrowings and the contractual maturity dates are as follows:

	THE GROUP		THE COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Fixed-rate borrowings:				
Within one year	5,678,742	2,711,749	1,280,410	–
More than one year but not more than two years	1,042,680	1,760,187	–	1,243,781
More than two years but not more than three years	34,144	490,050	–	–
More than three years but not more than four years	12,804	12,438	–	–
More than four years but not more than five years	–	12,438	–	–
	6,768,370	4,986,862	1,280,410	1,243,781

37. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(ii) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's and the Company's borrowings are as follows:

	THE GROUP		THE COMPANY	
	2013	**2012**	**2013**	**2012**
Effective interest rate:				
Fixed-rate borrowings	2.20% to 7.20%	2.20% to 12.00%	2.20%	2.20%
Variable-rate borrowings	1.24% to 8.16%	1.31% to 8.30%	N/A	N/A

(iii) Included in the Group's bank borrowings is an amount of HK$5,200 million (2012: HK$5,200 million) drawn under syndicated loan facilities of HK$5,200 million (2012: HK$5,200 million) obtained by the Group. Transaction costs of approximately HK$33 million which were directly attributable to such bank borrowings were deducted from the fair values of the bank borrowings on initial recognition. At 31 December 2013, the carrying value of such bank borrowings was approximately HK$5,191 million (2012: HK$5,183 million).

(iv) Included in other loans is an advanced bond (the "Bond") of HK$1,900,530,000 (2012: HK$1,835,545,000) issued by a non-wholly owned subsidiary of the Group in the PRC in August 2012 and is listed on Shanghai Stock Exchange. The Bond is unsecured and has a maturity of six years until 20 August 2018. The Bond carries interest at rates of 6.5% per annum for the first three years, and 6.5% per annum plus 0 to 100 basis point for the next three years. The bondholders have the right to request the above-said non-wholly owned subsidiary to redeem the Bonds from the fourth year onwards at principal amount. Transaction costs of HK$33,194,000 were directly deducted from the carrying amount of the Bond on initial recognition and the effective interest rate applied to the Bond is 7.19% (2012: 7.19%) per annum.

(v) Certain bank facilities granted to the Group include requirements that (a) SIIC retains management control over the Company and holds not less than 35% of the Company's voting capital and (b) SIIC remains under the control of the Shanghai Municipal People's Government.

38. CONVERTIBLE BONDS

On 18 February 2013 (the "Issue Date"), a wholly owned subsidiary of the Company, Tong Jie Limited (the "Issuer"), issued zero coupon convertible bonds with a principal amount of HK$3,900,000,000 ("CB 2018"). Unless early redeemed, CB 2018 will be redeemed at 105.11% of the principal amount on 18 February 2018 (the "Maturity Date"). CB 2018 are guaranteed by the Company and listed on the Stock Exchange.

The principal terms of CB 2018 are as follows:

The holders of CB 2018 have the right to convert all or any portion of CB 2018 into shares of the Company at the conversion price of HK$36.34 per share (subject to anti-dilutive adjustments). The conversion right can be exercised at any time on or after 40 days from the Issue Date up to, and including, the close of business on the business day seven days prior to the Maturity Date.

38. CONVERTIBLE BONDS (Continued)

The holders of CB 2018 have the option to require the Issuer to redeem all or some only of CB 2018 on 18 February 2016 at a pre-determined redemption amount ("Holders' Redemption Option").

At any time after 18 February 2016 to the day prior to the Maturity Date, the Issuer may redeem CB 2018 in whole but not in part at a pre-determined redemption amount if the closing price of the shares of the Company for any 20 trading days out of the 30 consecutive trading days prior to the date upon which notice of such redemption is given is at least 130 per cent of the applicable early redemption amount divided by the conversion ratio ("Issuer's Redemption Option").

CB 2018 contain a liability component, an equity component, Holders' Redemption Option and Issuer's Redemption Option. The equity component is presented in the equity under the heading "Convertible bonds equity reserve". The effective interest rate applied to the liability component on initial recognition was 2% per annum.

The movements of the liability component and equity components of CB 2018 for the year are set out as below:

	Liability component HK$'000	**Equity component HK$'000**
At 1 January 2013	–	–
Issue on 18 February 2013	3,712,653	187,347
Transaction costs	(42,287)	(2,133)
Interest charged	72,241	–
Deferred tax liability	–	(70,772)
At 31 December 2013	3,742,607	114,442

39. SENIOR NOTES/WARRANTS

On 23 July 2007, SI Urban Development issued 4,000 units of senior notes at a par value of US$400,000,000 (equivalent to HK$3,120,000,000) ("Senior Notes 2014") and 264,000,000 warrants ("Warrants 2012"). The Senior Notes 2014 bear interest at a rate of 9.75% per annum and will mature on 23 July 2014. The Senior Notes 2014 are guaranteed by all of SI Urban Development's existing subsidiaries at the date of issue and at any time in future other than those established under the laws of the PRC.

The Senior Notes 2014 and Warrants 2012 were separated immediately upon their issuance and the Warrants 2012 were detachable from the Senior Notes 2014.

Warrants 2012 were not exercised by the holders and lapsed upon maturity on 23 July 2012.

Other than the liability element and Warrants 2012, Senior Notes 2014 also contain a redemption right granted to SI Urban Development. The redemption right is separately accounted for at fair value at the end of the reporting period as a derivative financial instrument and its fair value was insignificant as at 31 December 2012 and 2013.

The effective interest rate of the liability element was 8.87% per annum.

40. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
– at 1 January 2012, 31 December 2012 and 31 December 2013	2,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
– at 1 January 2012	1,079,785,000	107,979
– exercise of share options	464,000	46
– at 31 December 2012	1,080,249,000	108,025
– exercise of share options	2,502,600	250
– at 31 December 2013	1,082,751,600	108,275

During the year ended 31 December 2013, the Company issued 2,502,600 (2012: 464,000) shares to the option holders who exercised their share options at an exercise price of HK$22.71 (2012: HK$22.71) under the SIHL Scheme (defined in Note 41). These new shares rank pari passu in all respects with other shares in issue.

41. SHARE-BASED PAYMENT TRANSACTIONS

Details of the equity-settled share option schemes adopted by the Company and other members of the Group are as follows:

(I) SIHL Scheme

(a) The principal terms of the SIHL Scheme are set out below.

The Company, in accordance with Chapter 17 of the Listing Rules, adopted a share option scheme (the "SIHL Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 31 May 2002. The SIHL Scheme was valid and effective for a period of 10 years commencing the date of its adoption and terminated on 25 May 2012. Upon termination, no further share options would be granted and all previously granted share options remained valid until the end of the exercisable period. The SIHL Scheme was to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants and for such other purposes as the board of directors (the "Board") may approve from time to time.

41. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(I) SIHL Scheme (Continued)

(a) According to the SIHL Scheme, the Board of the Company could grant options to any director or employee of each member of the Group (including a company in which (i) the Company was directly or indirectly interested in less than 20% of the issued share capital or equity interest or voting rights of such company but is the largest shareholder or the holder of the largest voting rights of such company; or (ii) in the opinion of the Board of the Company, the Company was able to exercise significant influence to such company); and any executive or employee of any business consultant, professional and other advisers in each member of the Group who had rendered service or would render service to the Group, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. Share options granted were to be accepted within 30 days from the date of grant.

The Board of the Company could at its absolute discretion, determine and notify each grantee the period during which a share option could be exercised, such period were to expire not later than 10 years from the date of grant of the share options. Subject to the provisions of the SIHL Scheme, the Board of the Company could at its discretion when offering the grant of a share option impose any conditions, restrictions or limitations in relation thereto as it may think fit.

The subscription price for shares in the Company were to be a price solely determined by the Board of the Company and notified to an eligible participant, and were to be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

The total number of shares which could be issued upon exercise of all options to be granted under the SIHL Scheme and any other share option schemes of the Company was not in aggregate to exceed 10% of the total number of shares of the Company in issue as at the date of approval of the SIHL Scheme. The maximum number of shares which could be issued upon exercise of all outstanding options granted and yet to be exercised under the SIHL Scheme and any other share option schemes of the Company was not to exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant under the SIHL Scheme and any other option schemes (including both exercised, cancelled and outstanding options) in any 12-month period was not to exceed 1% of the total number of shares in issue unless approved by the shareholders of the Company.

41. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(I) SIHL Scheme (Continued)

(b) As at 31 December 2013, the number of shares in respect of which options were granted and which remained outstanding was 42,457,000 (2012: 46,457,200), representing 3.9% (2012: 4.3%) of the shares of the Company in issue at that date.

The following table discloses movements of the Company's options under the SIHL Scheme held by the Group's employees and other eligible participants during the year:

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2012	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.12.2012	Exercised during the year	Cancelled during the year	Outstanding at 31.12.2013
November 2010	36.60	25,350,000	–	–	(80,000)	25,270,000	–	(1,200,000)	24,070,000
September 2011	22.71	20,600,000	–	(464,000)	(92,800)	20,043,200	(2,502,600)	(297,600)	17,243,000
May 2012	23.69	–	1,144,000	–	–	1,144,000	–	–	1,144,000
		45,950,000	1,144,000	(464,000)	(172,800)	46,457,200	(2,502,600)	(1,497,600)	42,457,000
Exercisable at the end of the year						39,590,800			42,113,800

Details of the share options held by the directors of the Company included in the above table are as follows:

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2012	Reclassified during the year	Outstanding at 31.12.2012	Reclassified during the year	Outstanding at 31.12.2013
November 2010	36.60	6,410,000	(1,750,000)	4,660,000	(1,200,000)	3,460,000
September 2011	22.71	5,128,000	(1,400,000)	3,728,000	(960,000)	2,768,000
May 2012	23.69	–	600,000	600,000	–	600,000
		11,538,000	(2,550,000)	8,988,000	(2,160,000)	6,828,000
Exercisable at the end of the year				7,509,600		6,648,000

Share options granted in November 2010 are exercisable during the period from 3 November 2010 to 2 November 2015 in three batches, being:

- 3 November 2010 to 2 November 2011 (up to 40% of the share options granted are exercisable)
- 3 November 2011 to 2 November 2012 (up to 70% of the share options granted are exercisable)
- 3 November 2012 to 2 November 2015 (all share options granted are exercisable)

41. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(I) SIHL Scheme (Continued)

(b) (Continued)

Share options granted in September 2011 are exercisable during the period from 21 September 2011 to 20 September 2016 in three batches, being:

- 21 September 2011 to 20 September 2012 (up to 40% of the share options granted are exercisable)
- 21 September 2012 to 20 September 2013 (up to 70% of the share options granted are exercisable)
- 21 September 2013 to 20 September 2016 (all share options granted are exercisable)

Share options granted in May 2012 are exercisable during the period from 17 May 2012 to 16 May 2017 in three batches, being:

- 17 May 2012 to 16 May 2013 (up to 40% of the share options granted are exercisable)
- 17 May 2013 to 16 May 2014 (up to 70% of the share options granted are exercisable)
- 17 May 2014 to 16 May 2017 (all share options granted are exercisable)

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$27.70 (2012: HK$27.37). Total consideration received for shares issued upon exercise of share options, net of direct issue costs of HK$20,800 (2012: HK$12,000), was HK$56,813,000 (2012: HK$10,525,000).

(c) On 16 May 2012, 1,144,000 options were granted and the estimated fair value of the options granted was HK$1,935,000.

The fair value was calculated using the Black-Scholes option pricing model with the following inputs:

	2012
Weighted average share price	HK$22.60
Exercise price	HK$23.69
Expected volatility	28.309% to 33.941%
Expected life	0.5 to 2.5 years
Risk-free rate	0.140% to 0.255%
Expected dividend yield	4.8%

The variables and assumptions used in the Black-Scholes option pricing model in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 0.5 to 2.5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

41. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(I) SIHL Scheme (Continued)

(c) (Continued)

The number of share options granted and which are expected to vest has been reduced to reflect historical forfeiture rate of 20% to 30% prior to completion of vesting period and accordingly the share-based payment expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit and loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

(d) The Group recognised an expense of HK$5,904,000 (2012: HK$39,831,000) for the year in relation to the share options granted with reference to the respective vesting periods, of which HK$3,956,000 (2012: HK$23,393,000) was related to options granted to the Group's employees and shown as employee benefits expense, and the remaining balance represents share-based payment expense for eligible participants other than employees.

(II) SIHL New Scheme

The principal terms of the SIHL New Scheme are set out below.

The Company, in accordance with Chapter 17 of the Listing Rules, adopted a share option scheme (the "SIHL New Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 25 May 2012. The SIHL New Scheme shall be valid and effective for a period of 10 years commencing the date of its adoption, after which period no further share options will be granted. The SIHL New Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants and for such other purposes as the Board may approve from time to time.

According to the SIHL New Scheme, the Board of the Company may grant options to any director or employee of each member of the Group (including a company in which (i) the Company is directly or indirectly interested in less than 20% of the issued share capital or equity interest or voting rights of such company but is the largest shareholder or the holder of the largest voting rights of such company; or (ii) in the opinion of the Board of the Company, the Company is able to exercise significant influence to such company); and any executive or employee of any business consultant, professional and other advisers in each member of the Group who have rendered service or will render service to the Group, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. Share options granted should be accepted within 30 days from the date of grant.

The Board of the Company may at its absolute discretion, determine and notify each grantee the period during which a share option may be exercised, such period should expire not later than 10 years from the date of grant of the share options. Subject to the provisions of the SIHL New Scheme, the Board of the Company may at its discretion when offering the grant of a share option impose any conditions, restrictions or limitations in relation thereto as it may think fit.

41. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(II) SIHL New Scheme (Continued)

The subscription price for shares in the Company shall be a price solely determined by the Board of the Company and notified to an eligible participant, and shall be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the SIHL New Scheme and any other share option schemes of the Company shall not in aggregate to exceed 10% of the total number of shares of the Company in issue as at the date of approval of the SIHL New Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SIHL New Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant under the SIHL New Scheme and any other option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue unless approved by the shareholders of the Company.

During the year, no options were granted or outstanding under the SIHL New Scheme.

(III) SI Urban Development Scheme

(a) The principal terms of the SI Urban Development Scheme are set out below.

A listed subsidiary of the Company, SI Urban Development, operates a share option scheme (the "SI Urban Development Scheme") which was first adopted on 12 December 2002 in a special general meeting of SI Urban Development. Under the SI Urban Development Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SI Urban Development Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of SI Urban Development from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of SI Urban Development at any time.

The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1 received by SI Urban Development. The exercise period of the share options granted is determinable by the directors of SI Urban Development, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of SI Urban Development, but in any case must be the highest of (i) the closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of SI Urban Development's shares.

41. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(III) SI Urban Development Scheme (Continued)

(b) As at 31 December 2013, the number of shares of SI Urban Development in respect of which options were granted and which remained outstanding was 57,750,000 (2012: 60,750,000), representing 1.2% (2012: 1.3%) of the shares of SI Urban Development in issue at that date.

The following table discloses movements of share options granted during the year:

Grantees	Month of grant	Exercised price per share HK$	Outstanding at 1.1.2012	Cancelled during the year	Outstanding at 31.12.2012	Reclassified during the year	Cancelled during the year	Outstanding at 31.12.2013
Directors of SI Urban Development, who are also directors of the Company	September 2011	2.98	23,000,000	(16,000,000)	7,000,000	–	–	7,000,000
Other directors of SI Urban Development	September 2011	2.98	33,000,000	(7,000,000)	26,000,000	5,000,000	–	31,000,000
Employees of SI Urban Development	September 2011	2.98	35,000,000	(7,250,000)	27,750,000	(12,000,000)	(3,000,000)	12,750,000
Others	September 2011	2.98	–	–	–	7,000,000	–	7,000,000
			91,000,000	(30,250,000)	60,750,000	–	(3,000,000)	57,750,000
Exercisable at the end of the year					60,750,000			57,750,000

Share options granted in September 2010 are exercisable during the period from 24 September 2010 to 23 September 2020 in three batches, being:

- 24 September 2010 to 23 September 2011 (up to 40% of the share options granted are exercisable)
- 24 September 2011 to 23 September 2012 (up to 70% of the share options granted are exercisable)
- 24 September 2012 to 23 September 2020 (all share options granted are exercisable)

(c) The Group recognised an expense of HK$8,674,000 for the year ended 31 December 2012 (2013: Nil) in relation to share options granted with reference to the respective vesting periods, of which HK$3,962,000 was related to options granted to the directors of SI Urban Development who are also directors of the Company and the remaining balance represents share-based payment expense for other directors of SI Urban Development and SI Urban Development's employees and was included in employee benefits expense.

41. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(IV) SI Environment Scheme

The principal terms of the SI Environment Scheme are set out below.

SI Environment operates a share option scheme (the "SI Environment Scheme"), which was adopted on 27 April 2012 in an extraordinary general meeting of SI Environment. The SI Environment Scheme shall be valid and effective for a period of 5 years commencing the date of its adoption, after which period no further share options will be granted. The aggregate nominal amount of shares which may be issued and issuable in respect of all options granted under the SI Environment Scheme, shall not exceed 15% of the issued share capital of SI Environment (excluding treasury shares) from time to time.

Under the SI Environment Scheme, the aggregate number of shares in relation to the grant of options that are available to the controlling shareholders or their associates shall not exceed 25% of the total number of shares which may be granted under the SI Environment Scheme. The number of shares available to any one controlling shareholder or his/her associate(s) shall not exceed 10% of the total number of shares which may be granted under the SI Environment Scheme.

Under the SI Environment Scheme, SI Environment can grant options at a price which is equal to the average of the last dealt prices for the share, as determined by reference of the daily official list or any other publication published by the SGX-ST for the three consecutive trading days immediately preceding the date of grant ("Price"). Options will not be granted at a discount to the Price.

The offer of the grant of an option is to be accepted by the grantee within 30 days from the date of offer of that option and, in any event, not later than 5:00 p.m. on the 30th day from such date of offer by completing, signing and returning the acceptance form accompanied by payment of S$1.00 as consideration. The exercise period of the share options granted is determinable by the remuneration committee of SI Environment. Options granted with exercise price set at Price are only to be exercisable, in whole or in part, after the 1st anniversary of the date of offer. Options granted to non-executive directors and employees of the associated companies can be exercised before the 5th anniversary of the relevant date of offer.

During the year, no options were granted or outstanding under the SI Environment Scheme.

42. SHARE PREMIUM AND RESERVES

	Share premium HK$'000	Share options reserve HK$'000	Convertible bonds equity reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY							
At 1 January 2012	13,345,715	123,388	–	1,071	1,137,728	10,394,357	25,002,259
Profit for the year	–	–	–	–	–	2,479,840	2,479,840
Issue of shares upon exercise of share options	11,337	(858)	–	–	–	–	10,479
Recognition of equity-settled share-based payments	–	39,831	–	–	–	–	39,831
Dividends paid (Note 14)	–	–	–	–	–	(1,166,365)	(1,166,365)
At 31 December 2012	13,357,052	162,361	–	1,071	1,137,728	11,707,832	26,366,044
Profit for the year	–	–	–	–	–	1,474,644	1,474,644
Issue of shares upon exercise of share options	61,195	(4,632)	–	–	–	–	56,563
Recognition of equity-settled share-based payments	–	5,904	–	–	–	–	5,904
Issue of convertible bonds by a subsidiary (Note 38)	–	–	185,214	–	–	–	185,214
Dividends paid (Note 14)	–	–	–	–	–	(1,081,027)	(1,081,027)
At 31 December 2013	13,418,247	163,633	185,214	1,071	1,137,728	12,101,449	27,007,342

Notes:

(i) The Company's reserve available for distribution to shareholders as at 31 December 2013 represents its retained profits of approximately HK$12,101 million (2012: HK$11,708 million).

(ii) The Company's capital reserve which arose in 1997 upon reduction of share premium as confirmed by the Order of the High Court of Hong Kong was not realised profits and is an undistributable reserve.

43. ACQUISITION OF SUBSIDIARIES/BUSINESSES

(I) Acquisition of Nanfang Water during the year ended 31 December 2012

On 23 July 2012, SI Environment completed its acquisition of an indirect 69.378% equity interest in Nanfang Water which, together with its subsidiaries and an associate, are principally engaged in the business of environment protection in the PRC, including waste water and tap water treatments. The consideration for the acquisition is HK$423,719,000 which includes (a) cash of RMB218.3 million (equivalent to approximately HK$266.0 million), (b) 433,626,615 ordinary shares in SI Environment, the fair value of which at the date of acquisition amounted to HK$127,829,000, and (c) the fair value of the earn-out amounts for each of the three years ended 31 December 2014 if Nanfang Water achieves the agreed financial targets for the corresponding year. The maximum earn-out amount to be paid amounts to RMB45 million (equivalent to approximately HK$55 million) and would be settled by way of issuance of a fixed number of new ordinary shares in SI Environment.

	Notes	HK$'000
Consideration transferred		
Cash		266,025
Deferred share consideration	(i)	127,829
Contingent consideration	(ii)	29,865
		423,719
Assets acquired and liabilities recognised at the date of acquisition are as follows		
Property, plant and equipment		14,719
Operating concessions	(iii)	145,165
Interest in an associate		2,325
Investments		2,922
Receivables under service concession arrangements	(iii)	1,292,460
Deferred tax assets		14,353
Inventories		5,540
Trade and other receivables		351,182
Amounts due from customers for contract work		17,947
Bank balances and cash		50,668
Trade and other payables		(302,079)
Taxation payable		(6,251)
Bank and other borrowings		(799,727)
Deferred tax liabilities		(114,378)
		674,846
Goodwill on acquisition		
Consideration		423,719
Plus: non-controlling interests	(iv)	251,127
Less: net assets acquired		(674,846)
		–
Net cash outflow arising on acquisition		
Cash consideration paid		266,025
Less: bank balances and cash acquired		(50,668)
		215,357

43. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

(I) Acquisition of Nanfang Water during the year ended 31 December 2012 (Continued)

Notes:

(i) The deferred share consideration was settled in 433,626,615 new ordinary shares in SI Environment in February 2013.

(ii) The contingent consideration represents the fair value of the earn-out amount as described above, which is determined based on the Black-Scholes Pricing Model. The contingent consideration will be settled by shares in SI Environment when the Group is obliged to pay.

(iii) These amounts are related to nine service concession arrangements with certain governmental authorities in the PRC to operate sewage and water treatment plants in the PRC with remaining service concession periods of 22 to 31 years. The effective interest rate applied ranges from 5.94% to 7.83% per annum.

(iv) The non-controlling interests of 30.622% in Nanfang Water recognised at the acquisition date was measured with reference to the non-controlling interests' proportionate share of the fair value of the net assets of Nanfang Water at that date.

(II) Acquisition of other subsidiaries during the year ended 31 December 2012

On 29 June 2012, the Group acquired 100% equity interest in 深圳永發印藝包裝設計有限公司 ("Shenzhen Wing Fat") from an independent third party at a consideration of RMB947,000 (equivalent to HK$1,156,000) for the expansion of its business. Shenzhen Wing Fat is engaged in packaging design in the PRC.

In addition, on 18 December 2012, the Group acquired 100% shareholding of Hong Kong Shun Yuen Investment (Holdings) Limited ("Shun Yuen") from an independent third party at a consideration of HK$10,000 for the expansion of its business. Shun Yuen directly owns 16.8% interest in an available-for-sale investment which is engaged in the water-related business in the PRC.

43. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

(II) Acquisition of other subsidiaries during the year ended 31 December 2012 (Continued)

	HK$'000
Consideration transferred	
Cash	1,166
Assets acquired and liabilities recognised at the respective dates of acquisition are as follows	
Property, plant and equipment	234
Available-for-sale investment	265,301
Inventories	12
Trade and other receivables	512
Bank balances and cash	800
Trade and other payables	(265,693)
	1,166
Goodwill on acquisition	
Consideration transferred	1,166
Less: net assets acquired	(1,166)
	–
Net cash outflow arising on acquisition	
Cash consideration paid	1,166
Less: bank balances and cash acquired	(800)
	366

Note: The directors of the Company are of the opinion that the above subsidiaries acquired during the year ended 31 December 2012 had no significant contribution to the Group's revenue or results for the year ended 31 December 2012.

44. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

In October 2013, the Group acquired 100% equity interest in Land Surplus Limited for a consideration of HK$335,982,000. This acquisition gave rise to acquisition of investment properties (see Note 16).

	HK$'000
Consideration transferred	
Cash	335,982
Assets acquired and liabilities recognised at the date of acquisition are as follows	
Investment properties	340,898
Property, plant and equipment	42
Trade and other receivables	2
Trade and other payables	(2,904)
Taxation payable	(1,091)
Deferred tax liabilities	(965)
	335,982
Cash outflow arising an acquisition	
Cash consideration paid	335,982

45. DISPOSAL OF SUBSIDIARIES/DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES

(I) Disposal of subsidiaries during the year ended 31 December 2013

In December 2013, the Group disposed of its 100% equity interests in two subsidiaries, namely 湖州湖鴻投資發展有限公司("Huzhou Huhong") and 湖州湖濱投資發展有限公司 ("Huzhou Hubin"), to an independent third party (the "Counterparty") for considerations of RMB56,444,000 (equivalent to HK$70,149,000) and RMB31,602,000 (equivalent to HK$38,629,000), respectively, while the Counterparty has the obligations to procure Huzhou Huhong and Huzhou Hubin to repay the shareholders' loans of RMB84,847,000 (equivalent to HK$106,059,000) and RMB103,184,000 (equivalent to HK$128,980,000), respectively. Huzhou Huhong and Huzhou Hubin are principally engaged in the business of property development and sales in the PRC.

In December 2013, the Group disposed of its entire equity interest in 上海城開集團重慶德普置業有限公司 ("Chongqing Depu"), to an independent third party for a consideration of RMB134,750,000 (equivalent to HK$172,535,000). Chongqing Depu is principally engaged in the business of property development and sales in the PRC.

45. DISPOSAL OF SUBSIDIARIES/DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES (Continued)

(II) Disposal of subsidiaries during the year ended 31 December 2012

In December 2012, the Group disposed of its 100% equity interest in 成都中新錦泰房地產開發有限公司 ("Chengdu Zhongxin") to certain independent third parties at an aggregate consideration of RMB158 million (equivalent to HK$196,517,000) resulting in a gain of HK$359,222,000. Chengdu Zhongxin is principally engaged in property development and sales in the PRC.

(III) Further details of the consideration, and assets and liabilities disposed of in respect of the disposed subsidiaries during the years ended 31 December 2012 and 2013 are set out below:

	2013				2012
	Huzhou Huhong HK$'000	Huzhou Hubin HK$'000	Chongqing Depu HK$'000	Total HK$'000	HK$'000
Consideration					
Cash received	70,149	38,629	–	108,778	196,517
Consideration receivable (Note i)	–	–	172,535	172,535	–
Total consideration	70,149	38,629	172,535	281,313	196,517
Analysis of assets and liabilities over which control was lost					
Property, plant and equipment	–	–	895	895	554
Inventories	118,639	139,004	652,259	909,902	1,570,036
Trade and other receivables	–	–	26,351	26,351	22,940
Bank balances and cash	345	3	14,866	15,214	17,853
Trade and other payables	(108,383)	(131,808)	(126,125)	(366,316)	(1,683,292)
Bank and other borrowings	–	–	(274,232)	(274,232)	(90,796)
Net assets (liabilities) disposed of	10,601	7,199	294,014	311,814	(162,705)

45. DISPOSAL OF SUBSIDIARIES/DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES (Continued)

(III) (Continued)

	2013				2012
	Huzhou Huhong HK$'000	Huzhou Hubin HK$'000	Chongqing Depu HK$'000	Total HK$'000	HK$'000
Gain on disposal					
Consideration	70,149	38,629	172,535	281,313	196,517
Net (assets) liabilities disposed of	(10,601)	(7,199)	(294,014)	(311,814)	162,705
Non-controlling interests	–	–	136,755	136,755	–
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	1,957	1,742	–	3,699	–
	61,505	33,172	15,276	109,953	359,222
Net cash inflow arising on disposal					
Cash consideration received	70,149	38,629	–	108,778	196,517
Less: bank balances and cash disposed of	(345)	(3)	(14,866)	(15,214)	(17,853)
	69,804	38,626	(14,866)	93,564	178,664

Notes:

(i) The consideration is unsecured, interest bearing at a market rate and will be settled in full by end of March 2014. The amount has been included in the Group's other receivables as at 31 December 2013 as detailed in Note 31.

(ii) The subsidiaries disposed of during both years did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposals.

45. DISPOSAL OF SUBSIDIARIES/DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES (Continued)

(IV) Disposal of assets through disposal of subsidiaries during the year ended 31 December 2013

In June 2013, SI Urban Development disposed of an exclusive right for a specific piece of land held by a subsidiary, Shanghai Urban Development Group Longcheng Properties Co., Ltd. ("SUD Longcheng"), (the "Specific Land") through disposal of its wholly owned subsidiaries, Earn Harvest Limited and Power Tact Investment Limited, which holds 25% equity interest in SUD Longcheng, to an independent third party at a consideration of RMB1,174,500,000 (equivalent to HK$1,463,369,000) (the "Purchase Consideration"). In addition to the Purchase Consideration, the purchaser agreed that it would (i) take up 25% of SUD Longcheng's net liabilities at the date of completion and (ii) not be entitled to exert influence or share of any appropriations of SUD Longcheng generated from operations or be obliged to bear any additional obligations of SUD Longcheng after the completion, other than its exclusive right for the Specific Land. The disposal was completed on 27 June 2013. At the date of completion, the net liabilities shared by the purchaser was RMB217,022,000 (equivalent to HK$270,399,000) which in aggregate with the Purchase Consideration amounted to RMB1,391,522,000 (equivalent to HK$1,733,768,000).

The net assets of subsidiaries and assets (including the Specific Land) at the date of disposal were as follows:

	HK$'000
Consideration	
Cash received	726,866
Deferred cash consideration (Note)	1,006,902
Total consideration	1,733,768
Analysis of assets and liabilities over which control was lost	
Specific Land included in inventories of the Group	914,715
Bank balances and cash	116
Other payables	(188)
	914,643
Gain on disposal	819,125
Net cash inflow arising on disposal	
Cash consideration received	726,866
Less: bank balances and cash disposed of	(116)
	726,750

Note: The deferred consideration will be fully settled in cash by the purchaser on or before 30 June 2014.

46. OPERATING LEASES

(I) The Group and the Company as lessees

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2013 HK$'000	**2012 HK$'000**	**2013 HK$'000**	**2012 HK$'000**
Within one year	95,012	75,323	10,447	4,968
In the second to fifth year inclusive	131,827	122,710	5,160	127
After five years	106,825	88,272	–	–
	333,664	286,305	15,607	5,095

Notes:

(i) Operating lease payments represent rental payable by the Group and the Company for certain office and factory properties. Leases are negotiated for an average term of 20 years and rentals are fixed for a lease term of 1 to 5 years.

(ii) Included in the above are operating lease commitments for land and buildings payable by the Group and the Company to the ultimate holding company and certain fellow subsidiaries as follows:

	THE GROUP		THE COMPANY	
	2013 HK$'000	**2012 HK$'000**	**2013 HK$'000**	**2012 HK$'000**
Within one year	44,794	31,345	10,447	4,968
In the second to fifth year inclusive	69,889	80,245	5,160	127
	114,683	111,590	15,607	5,095

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46. OPERATING LEASES (Continued)

(II) The Group and the Company as lessors

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of investment properties and land and buildings:

	THE GROUP	
	2013 HK$'000	**2012 HK$'000**
Within one year	426,694	403,994
In the second to fifth year inclusive	1,181,653	915,786
After five years	1,330,355	1,482,729
	2,938,702	2,802,509

Notes:

(i) Included in the above are operating lease commitments for investment properties of approximately HK$14.8 million (2012: HK$19.5 million) receivable by the Group from certain fellow subsidiaries within one year.

(ii) The Company had no significant operating lease arrangements as lessor at the end of the reporting period.

47. CAPITAL COMMITMENTS

	THE GROUP	
	2013 HK$'000	**2012 HK$'000**
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of a PRC subsidiary	221,538	–
– acquisition of property, plant and equipment	36,115	201,612
– additions in construction in progress	600,192	28,435
– additions in properties under development held for sale	7,358,408	7,089,313
– investment in a joint venture	678,617	–
	8,894,870	7,319,360
Capital expenditure authorised but not contracted for in respect of additions in construction in progress	19,206	460,199

47. CAPITAL COMMITMENTS (Continued)

In addition to the above, the Group's share of capital commitments of a joint venture is as follows:

	THE GROUP 2013 HK$'000	THE GROUP 2012 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– additions in construction in progress	153,672	–
– investment in a joint venture	85,147	–
	238,819	–

The Company had no significant capital commitment at the end of the reporting period.

48. CONTINGENT LIABILITIES

(a) Guarantees:

	THE GROUP 2013 HK$'000	THE GROUP 2012 HK$'000
Guarantees given to banks in respect of banking facilities utilised by		
– property buyers	3,137,451	3,205,156
– an entity controlled by Xuhui SASAC	340,589	393,035
– a joint venture	212,228	–
	3,690,268	3,598,191

As at 31 December 2013, the Company granted financial guarantees to the extent of approximately HK$8,598 million (2012: HK$9,451 million) to banks in respect of banking facilities granted to its subsidiaries, out of which approximately HK$8,350 million (2012: HK$9,200 million) were utilised.

(b) The Group is a defendant to a claim by a third party regarding non-payment of certain outstanding consideration which has been accrued but unpaid by the Group. The third party claim also includes liquidated damage which amounted to approximately HK$273 million up to 25 July 2012 and which is to be accumulated at a daily rate of HK$160,000 thereafter until settlement. The directors of the Company, after taking advice from the management of SI Urban Development which has consulted its legal advisors, is of the opinion that it has good ground for withholding the payment of the outstanding consideration and that it is pre-mature to estimate the outcome of the third party claim. Accordingly, no provision for the liquidated damage has been made.

49. PLEDGE OF ASSETS

The following assets were pledged by the Group to banks to secure general banking facilities granted by these banks to the Group:

(i) investment properties with an aggregate carrying value of HK$5,298,903,000 (2012: HK$8,212,311,000);

(ii) leasehold land and buildings with an aggregate carrying value of HK$940,841,000 (2012: HK$11,516,000);

(iii) plant and machineries with an aggregate carrying value of HK$14,837,000 (2012: Nil);

(iv) one (2012: One) toll road operating right of HK$3,335,773,000 (2012: HK$3,359,512,000);

(v) receivables under service concession arrangements with an aggregate carrying value of HK$2,294,931,000 (2012: HK$1,900,411,000);

(vi) properties under development held for sale with an aggregate carrying value of HK$10,630,517,000 (2012: HK$10,767,128,000);

(vii) properties held for sale with an aggregate carrying value of HK$132,958,000 (2012: Nil);

(viii) trade receivables with an aggregate carrying value of HK$240,273,000 (2012: HK$174,926,000); and

(ix) bank deposits with an aggregate carrying value of HK$512,231,000 (2012: HK$447,838,000).

50. RETIREMENT BENEFITS SCHEMES

The Company and its subsidiaries in Hong Kong operate a defined contribution retirement benefits scheme for their qualifying employees pursuant to the Occupational Retirement Schemes Ordinance. To comply with the Mandatory Provident Fund Schemes Ordinance, a Mandatory Provident Fund Scheme was also established. The assets of both schemes are held separately in funds which are under the control of independent trustees. The retirement benefits schemes contributions charged to the consolidated statement of profit or loss represent contributions payable by the Company and its subsidiaries in Hong Kong to the funds at rates specified in the rules of the schemes. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company and its subsidiaries in Hong Kong.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At the end of the reporting period, no forfeited contributions were available to reduce the contribution payable in future years.

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Connected persons

(a) During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules. The significant transactions with the connected parties during the year, and significant balances with them at the end of the reporting period, are as follows:

Connected persons	Nature of transactions and balances	THE GROUP 2013 HK$'000	2012 HK$'000
Transactions			
Ultimate holding company:			
SIIC	Rentals paid by the Group on land and buildings (Note b(i))	1,892	1,844
Fellow subsidiaries:			
Shanghai SIIC Property Management Co., Ltd. ("Shanghai SIIC PM")	Management fee paid by the Group on land and buildings (Note b(ii))	615	429
International Hope Limited ("International Hope")	Rentals and management fee paid by the Group on land and buildings (Note b(iii))	11,370	10,950
Nanyang Enterprises Properties Limited ("Nanyang Properties")	Rentals paid by the Group on land and buildings (Note b(iv))	26,640	24,000
SIIC Estate Co., Ltd. ("SIIC Estate")	Rentals paid by the Group on land and buildings (Note b(v))	26	26
SIIC Shanghai (Holdings) Company Limited ("SIIC Shanghai")	Rentals and management fee paid by the Group on land and buildings (Note b(vi))	6,548	6,381
	Loans provided to the Group (Note c)	1,294,332	1,290,442
	Interest paid by the Group (Note c)	94,659	90,593

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

(a) (Continued)

		THE GROUP	
Connected persons	**Nature of transactions and balances**	**2013 HK$'000**	**2012 HK$'000**
Transactions (Continued)			
Joint venture:			
Shanghai Galaxy	Investment income received by the Group (Note d)	40,368	56,983
	Management fee paid by the Group (Note d)	14,482	3,528
	Capital injection by the Group (Note i)	252,302	–
Balances			
Non-controlling shareholders of subsidiary:			
Xuhui SASAC and entities controlled by Xuhui SASAC	Non-trade receivables by the Group (Note e)	–	128,755
	Non-trade payables by the Group (Note e)	310,088	304,868

(b) The Group and certain of its connected parties had entered into tenancy and licence agreements as follows:

(i) On 15 July 2011, S.I. Infrastructure Holdings Limited ("S.I. Infrastructure"), a wholly owned subsidiary of the Company, entered into a tenancy agreement with SIIC for leasing of SIIC's premises situated in the PRC. The contract expired on 30 April 2013. In May 2013, 上海滬寧高速公路(上海段)發展有限公司(Shanghai Hu-Ning Expressway (Shanghai Section) Company Limited) ("Shanghai Hu-Ning Expressway"), a wholly owned subsidiary of the Company, enter into a tenancy agreement with SIIC for leasing such premises for a term of two years commencing on 1 May 2013.

(ii) On 13 July 2011, a property management services contract was entered into between S.I. Infrastructure and Shanghai SIIC PM, pursuant to which, Shanghai SIIC PM would provide property management services to S.I. Infrastructure in respect of the leased premises above for a term of one year commencing on 11 May 2011. The contract was renewed in May 2012 to further extend the term of service for one year. In May 2013, the contract expired and a new property management services contract was entered into between Shanghai Hu-Ning Expressway for the provision of property management services by SIIC PM for a term of 1 year commencing on 11 May 2013.

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

(b) (Continued)

(iii) On 30 August 2011 and 1 July 2011, the Company and Nanyang Brothers Tobacco Company, Limited ("Nanyang Brothers"), a wholly owned subsidiary of the Company, entered into a tenancy agreement and two licence agreements with International Hope for leasing of International Hope's premises and car parking spaces in Hong Kong for terms of two and three years, respectively, commencing on 1 July 2011. The tenancy agreement between the Company and International Hope expired during the year and was renewed in October 2013 to extend the term for two years commencing on 1 July 2013.

(iv) On 8 May 1997, Nanyang Brothers entered into a tenancy agreement with Nanyang Properties for leasing Nanyang Properties' premises situated in Hong Kong for a term of twenty years commencing on 1 May 1997, with an option to renew for a further term of five years.

(v) On 30 June 2009, the Company entered into a licence agreement with SIIC Estate for leasing of SIIC Estate's premises situated in Hong Kong for a term of three years commencing on 1 January 2009. The agreement was renewed on 27 January 2012 to further extend the term of licence for three years commencing on 1 January 2012.

(vi) On 29 April 2011, SIIC Management (Shanghai) Co., Ltd. ("SIIC Management"), a wholly owned subsidiary of the Company, entered into a tenancy agreement with SIIC Shanghai for leasing of SIIC Shanghai's premises situated in the PRC for a term of two years commencing on 1 May 2011. On 6 May 2013, the contract was renewed to further extend the term for two years commencing on 1 May 2013.

The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent was equivalent or approximate to the open market rentals as certified by an independent firm of professional property valuers when the tenancy agreements were entered into.

(c) On 30 April 2011 and 30 April 2012, Shanghai Feng Mao Properties Co., Ltd. ("Feng Mao Shanghai") and Feng Qi Shanghai entered into loan agreements and new loan agreements with SIIC Shanghai respectively. Pursuant to which, SIIC Shanghai has granted loans of RMB552,768,000 (equivalent to HK$679,577,000) to Feng Mao Shanghai (the "Feng Mao Shanghai Loan") and RMB496,878,000 (equivalent to HK$610,865,000) to Feng Qi Shanghai (the "Feng Qi Shanghai Loan"). Such loans were for a term of one year from 1 May 2011 to 30 April 2012 and further extended to 30 April 2013.

On 30 April 2013, the Feng Mao Shanghai Loan of RMB552,768,000 (equivalent to HK$707,770,000) and the Feng Qi Shanghai Loan of RMB473,249,000 (equivalent to HK$605,953,000) were extended for a further term of one year from 1 May 2013 to 30 April 2014.

The Feng Mao Shanghai Loan and the Feng Qi Shanghai Loan carry interest at the prevailing interest rate for loans charged by banks payable quarterly and their terms were determined and agreed by corresponding parties.

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

(d) On 23 May 2011, Shanghai Hu-Ning Expressway, entered into an asset management entrustment agreement with Shanghai Galaxy, a wholly owned subsidiary of SIIC. The amount of funds entrusted to Shanghai Galaxy during the year for the provision of assets management services amounted to RMB400 million (equivalent to approximately HK$505 million) (2012: RMB400 million (equivalent to approximately HK$492 million)), which was fully settled by the end of the reporting period.

(e) The amounts due from Xuhui SASAC and entities controlled by Xuhui SASAC as at 31 December 2012 were unsecured. Out of which, an amount of HK$111,568,000 represented loan advanced to an entity controlled by Xuhui SASAC through an entrusted loan agreement administrated by a bank, which carried fixed interest at 5.8% per annum, and was also unsecured and repayable within one year. The remaining balances were unsecured, non-interest bearing and repayable on demand. The whole balance was fully settled during the current year.

The amounts due to Xuhui SASAC and entities controlled by Xuhui SASAC are unsecured. An amount of approximately HK$202,790,000 (2012: HK$226,952,000) included in the balances as at 31 December 2013 represents loan advanced from an entity controlled by Xuhui SASAC through an entrusted loan agreement administrated by a bank, which carries fixed interest at 5.8% per annum (2012: 7.1%) per annum and are repayable within one year. The remaining balances are unsecured, non-interest bearing and repayable on demand.

(f) Pursuant to an agreement dated 26 December 2002 and the supplemental agreements dated 15 December 2009 and 6 December 2012 entered into between Xuhui State-owned Assets Management Co. Ltd. ("State-owned Management Company") and Shanghai Urban Development (the "Cross Guarantee Agreement"), the parties thereto agree to guarantee each other's obligations in respect of certain loans/facilities obtained by them from time to time from banks or credit unions to the extent of not more than RMB1,200 million, and the limit has been reduced to RMB400 million from 1 January 2013 onwards. In respect of those guarantees which have already been entered into by State-owned Management Company and Shanghai Urban Development pursuant to the Cross Guarantee Agreement, they will continue until the underlying loans/facilities mature/expire and all amounts owed are fully repaid.

As at 31 December 2013, the total amount of loans/facilities obtained by State-owned Management Company in respect of which guarantees were provided by Shanghai Urban Development amounted to approximately RMB266 million (equivalent to approximately HK$341 million) (2012: RMB316 million (equivalent to approximately HK$393 million)).

The provision of the aforesaid guarantees by Shanghai Urban Development constitutes non-exempt continuing connected transactions for the Company. Upon any variation of the Cross Guarantee Agreement, the Company shall then have the obligation to comply in full all applicable reporting, disclosure and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

(g) Details of operating lease commitments with connected parties are set out in Note 46.

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

(h) During year ended 31 December 2012, immediately upon completion of the acquisition of 100% equity interest in S.I. Feng Shun Properties (BVI) Limited ("Feng Shun") from SIIC for a consideration of HK$181,265,000, the Group (i) disposed of 90% equity interest in Feng Shun, and (ii) transferred a related shareholder's loan of HK$151,401,000 to certain parties which are deemed to be connected persons of the Company for a total consideration of approximately HK$1,537 million, of which an amount of approximately HK$107 million was received as a deposit by 31 December 2011 and an amount of approximately HK$776 million was received in December 2013. These transactions resulted in a gain on disposal before taxation of HK$1,276,515,000 to the Group for the year ended 31 December 2012. Further details of these transactions are set out in the Company's announcements dated 26 February 2011 and 20 April 2012.

(i) The shareholders of Shanghai Galaxy (comprising SIIC Shanghai and Shanghai Hu-Ning Expressway) have each made an additional capital contribution of RMB100,000,000 (equivalent to HK$124,595,000) and a further capital contribution of RMB100,000,000 (equivalent to HK$127,707,000) to the registered capital of Shanghai Galaxy on 21 May 2013 and 13 November 2013 respectively. Accordingly, Hu-Ning Expressway has made capital contribution in the aggregate of RMB200,000,000 during the year. After the above capital increase, the percentage shareholding of Hu-Ning Expressway remained unchanged at 50%. Further details of these transactions are set out in the Company's announcements dated 13 November 2013.

(j) Details of amounts due to certain fellow subsidiaries are set out in Note 35.

(k) Sichuan SIIC Environment Investment Development Co., Ltd. ("Sichuan SIIC") was established in the PRC on 6 November 2013 as an associate of the Group and a joint venture of Shanghai Galaxy and principally engaged in the water-related business in the PRC. The shareholders of Sichuan SIIC comprise SIIC Environment Holdings (Wuhan) Co., Ltd. ("SIIC Wuhan"), a non-wholly owned subsidiary of the Company, an independent third parity and Shanghai Galaxy. Sichuan SIIC is owned by them as to 30%, 40% and 30%, respectively. The registered capital of Sichuan SIIC is RMB200,000,000, to be paid up in cash within five years from its establishment, in the same proportions as above. As such, Shanghai Galaxy's and SIIC Wuhan's total capital contribution would amount to RMB60,000,000 and RMB60,000,000, respectively. Details of these are set out in the announcements of the Company dated 21 May 2013 and 13 November 2013.

(l) On 13 November 2012, Shanghai SIIC Nankai Property Co., Ltd, a non-wholly owned subsidiary of the Company, entered into an agreement with Shanghai Industrial Island Development Co., Ltd., a wholly owned subsidiary of SIIC Shanghai, to acquire an investment property located in the PRC, at a consideration of RMB42,000,000 (equivalent to HK$51,814,000), which was arrived at after arm's length negotiation after taking into consideration the valuation of the investment property as appraised by an independent property valuer. The transaction was completed by 31 December 2012. Details of the transaction are set out in an announcement of the Company dated 13 November 2012.

(m) At 31 December 2013, a bank borrowing amounting to approximately RMB317 million (equivalent to approximately HK$406 million) (2012: RMB497 million (equivalent to approximately HK$618 million)) was secured by properties owned by the Group and a fellow subsidiary of the Group.

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(II) Related parties, other than connected persons

In addition to the transactions set out in Note 51(I) above, the significant transactions with other related parties during the year, and significant balances with them at the end of the reporting period, are as follows:

Related parties	Nature of transactions and balances	THE GROUP 2013 HK$'000	2012 HK$'000
Joint venture:			
General Water	Interest income received by the Group	7,454	–
Associates:			
泉州市上實投資發展有限公司	Interest income received by the Group	99,331	93,613
上海城開地產經紀有限公司 (Shanghai Urban Development Real Estate Agency Co., Ltd.)	Property agency fees paid by the Group	58,591	38,802
	Trade payables by the Group	94,264	85,688

Details of loan to a joint venture, General Water, and amounts due from associates are set out in Notes 22 and 31, respectively.

The Company's balances with other related parties are set out in the statement of financial position of the Company and in Note 24.

(III) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2013 HK$'000	2012 HK$'000
Short-term benefits	31,385	30,076
Share-based payments	1,585	13,861
	32,970	43,937

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

52. MATERIAL TRANSACTIONS AND BALANCES WITH GOVERNMENT RELATED ENTITIES

The Group itself is part of a larger group of companies under SIIC, which is controlled by the PRC government. The directors consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predenominated by entities controlled, jointly controlled or significantly influenced by the PRC government. Apart from the transactions with SIIC, other connected persons and related parties disclosed in Note 51, the Group also conducts business with other government related entities in the ordinary course of business. In the opinion of the directors of the Company, these transactions are considered as individually and collectively insignificant to the operation of the Group. The directors consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

53. GOVERNMENT GRANTS

Government grants of approximately HK$43.5 million (2012: HK$39.2 million) were received in the current year from local government as compensation for the decrease of toll fee income on a discretionary basis. Approximately HK$4.1 million (2012: HK$0.4 million) was received as incentives for investments in certain provinces in the PRC. Business and other taxes refund from local tax authorities of approximately HK$86.6 million (2012: HK$143.4 million) were also received in the current year. These amounts have been included in other income.

During the year ended 31 December 2012, the Group received compensation from local government in respect of land recapture, which was included in properties under development held for sale, of approximately HK$36.9 million (2013: Nil). This amount was included in other income.

During the current year, the Group received government subsidies of approximately RMB54 million (equivalent to approximately HK$68 million) (2012: RMB126 million (equivalent to approximately HK$157 million)) for its operating concession arrangements (2012: relocation of a water plant) in the PRC. The amount has been deducted from the carrying amount of operating concessions (included in other intangible assets) and will be transferred to income in the form of reduced amortisation charges over the remaining useful lives of operating concessions. It has resulted in a credit to profit or loss in the current year of HK$10,506,000 (2012: HK$4,393,000). As at 31 December 2013, an amount of approximately HK$215 million (2012: HK$152 million) remained in operating concessions to be amortised.

During the current year, the Group received a government subsidy of RMB20 million (equivalent to approximately HK$25 million) to subsidise the capital expenditure incurred by the Group related to a toll road in the PRC. The amount has been deducted from the carrying amount of the related toll road operating right and will be transferred to income in the form of reduced amortisation charges.

54. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share/registered capital held by the Company/subsidiaries 2013	2012	Principal activities
SI Development (Note i)	The PRC	A shares – RMB1,083,370,873	63.65%	63.65%	Property development and investment
SI Urban Development (Note ii)	Bermuda/The PRC	Ordinary shares – HK$192,461,000	69.95%	69.95%	Property development and investment
Shanghai Hu-Ning Expressway (Note iii)	The PRC	RMB3,000,000,000	100%	100%	Holding of the right to operate a toll road
上海路橋發展有限公司 (Shanghai Luqiao Development Co., Ltd.) (Note iii)	The PRC	RMB1,600,000,000	100%	100%	Holding of the right to operate a toll road
上海申渝公路建設發展有限公司 (Shanghai Shen-Yu Development Co., Ltd.) (Note iii)	The PRC	RMB1,200,000,000	100%	100%	Holding of the right to operate a toll road
SI Environment (Note iv)	The Republic of Singapore/The PRC	Ordinary shares – RMB2,511,499,031 (2012: RMB1,153,128,607)	46.72% (Note 5)	54.63%	Sewage treatment and water supply
S.I. Infrastructure	The British Virgin Islands/ Hong Kong	Ordinary share – US$1	100%	100%	Investment holding
SIHL Treasury Limited ("SIHL Treasury")	Hong Kong	Ordinary shares – HK$2	100%	100%	Investment
Nanyang Tobacco (Marketing) Company, Limited	The British Virgin Islands/PRC and Macau	Ordinary shares – US$1 – HK$100,000,000	100%	100%	Sale and marketing of cigarettes and raw materials sourcing
Nanyang Brothers	Hong Kong	Ordinary shares – HK$2	100%	100%	Manufacture and sale of cigarettes
		Non-voting deferred shares – HK$8,000,000	–	–	
The Wing Fat Printing Company, Limited	Hong Kong	Ordinary shares – HK$2,000,000	93.47%	93.47%	Manufacture and sale of packaging materials and printed products
Tong Jie Limited	The British Virgin Islands/Hong Kong	Ordinary share – US$1	100%	–	Issue of convertible bonds

54. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(i) This company is listed on the A Shares Market of the Shanghai Stock Exchange.

(ii) This company is listed on the Main Board of the Stock Exchange.

(iii) These companies were established in the PRC as wholly foreign owned enterprises.

(iv) This company is listed on the Mainboard of the SGX-ST.

(v) Except for S.I. Infrastructure and SIHL Treasury, all the above subsidiaries are indirectly held by the Company.

(vi) None of the deferred shares are held by the Group. The deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of the respective companies and have practically no rights to dividends or to participate in any distributions on winding up.

(vii) Other than as disclosed in notes 38 and 39, none of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

(viii) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. These subsidiaries are mainly dormant companies or subsidiaries principally engaged in investment holding.

54. PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
SI Development	The PRC	36.35%	36.35%	273,110	405,501	2,562,337	2,312,786
SI Urban Development	Bermuda/The PRC	30.05%	30.05%	59,589	(33,767)	3,209,513	3,059,985
Shanghai Urban Development (Holdings) Co., Ltd. ("SUD"), a subsidiary of SI Urban Development	The PRC	41%	41%	245,067	328,134	6,906,189	6,591,295
SI Environment	The Republic of Singapore/The PRC	53.28% (Note 5)	45.37%	85,882	64,880	2,145,306	1,081,411
Individually immaterial subsidiaries with non-controlling interests						2,610,445	2,784,067
						17,433,790	15,829,544

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	SI Development (consolidated)		SI Urban Development (consolidated, including SUD)		SUD (consolidated)		SI Environment (consolidated)	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Current assets	23,563,389	21,511,019	44,559,465	44,704,493	28,764,421	29,098,393	3,275,624	1,646,681
Non-current assets	4,452,961	4,217,883	9,338,227	9,440,318	4,350,855	3,651,950	5,630,013	4,810,040
Current liabilities	(13,792,561)	(11,559,094)	(23,255,054)	(22,054,668)	(11,975,221)	(12,342,751)	(2,744,014)	(2,396,484)
Non-current liabilities	(4,372,501)	(4,839,016)	(10,794,654)	(12,937,532)	(7,272,850)	(7,310,460)	(1,712,381)	(1,522,784)
Equity attributable to owners of the subsidiary	5,861,366	5,345,264	9,518,286	9,163,223	6,906,189	6,505,837	1,587,498	875,757
Non-controlling interests	2,562,337	2,312,786	3,209,513	3,059,985	6,961,016	6,591,295	2,145,306	1,081,411

For the year ended 31 December 2013

54. PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	SI Development (consolidated)		SI Urban Development (consolidated, including SUD)		SUD (consolidated)		SI Environment (consolidated)	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Revenue	4,600,509	4,228,794	9,773,547	8,782,561	6,916,593	4,082,200	1,525,362	989,199
Profit for the year	916,206	1,279,728	359,430	33,311	539,509	659,416	255,855	203,092
Other comprehensive income for the year	195,597	57,587	542,588	124,238	951,435	840,382	12,318	6,134
Total comprehensive income for the year	1,111,803	1,337,315	902,018	157,549	1,490,944	1,499,798	268,173	209,226
Profit (loss) for the year attributable to the non-controlling interests	273,110	405,501	59,589	(33,767)	245,067	328,134	85,352	64,880
Total comprehensive income (expense) for the year attributable to the non-controlling interests	343,800	426,529	153,737	(13,274)	594,787	719,103	91,915	67,663
Dividends paid to non-controlling interests	29,440	18,380	–	–	19,869	40,296	–	–
Net cash inflow from operating activities	2,930,801	176,893	885,551	1,486,686	2,359,267	2,448,404	203,237	320,123
Net cash (outflow) inflow from investing activities	(4,315)	459,518	1,710,925	646,065	802,375	(647,845)	(398,370)	(264,961)
Net cash (outflow) inflow from financing activities	(947,968)	1,463,808	(2,148,419)	(402,715)	(3,219,346)	(61,505)	1,842,216	(16,090)
Net cash inflow (outflow)	1,978,518	2,100,219	448,057	1,730,036	(57,704)	1,739,054	1,647,083	39,072

55. PRINCIPAL JOINT VENTURES

Particulars of the Group's principal joint ventures at 31 December 2013 and 2012 are as follows:

Name of joint venture	Place of incorporation or establishment/ operations	Percentage of issued share/ registered capital attributable to the Group		Principal activities
		2013	2012	
Shanghai Galaxy	The PRC	50%	50%	Provision of asset management services
General Water	The PRC	47.5%	47.5%	Joint investment and operation of water-related and environment protection business in the PRC

Notes:

(i) The above joint ventures are indirectly held by the Company and the Group has members in the board of directors of the respective entities.

(ii) The above table lists the joint ventures of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

56. PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31 December 2013 and 2012, which are all established in the PRC, are as follows:

Name of associate	Form of entity	Percentage of registered capital attributable to the Group	Principal activities
天津市億嘉合置業有限公司	Limited company	28.0% (Note i)	Property development
Shanghai Shentian	Sino-foreign joint venture	14.5% (Note ii)	Property development

Notes:

(i) This is a 40% owned associate of SI Urban Development, which the Group owns as to its 69.95% equity interest.

(ii) This is a 20.7% owned associate of SI Urban Development, which the Group owns as to its 69.95% equity interest.

(iii) The above associates are indirectly held by the Company.

(iv) The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

57. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker (i.e. the board of directors of the Company) for the purposes of resource allocation and performance assessment, are as follows:

Infrastructure facilities	–	investment in toll road projects and water-related business
Real estate	–	property development and investment and hotel operation
Consumer products	–	manufacture and sale of cigarettes, packaging materials and printed products

Infrastructure facilities, real estate and consumer products also represent the Group's reportable segments.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

For the year ended 31 December 2013

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
REVENUE					
Segment revenue – external sales	3,550,386	14,374,056	3,643,282	–	21,567,724
Segment operating profit	1,598,994	2,161,774	1,077,114	74,521	4,912,403
Finance costs	(192,220)	(965,952)	(2,826)	(38,559)	(1,199,557)
Share of results of joint ventures	79,730	–	–	–	79,730
Share of results of associates	569	(9,804)	32,023	–	22,788
Gain on disposal of assets through disposal of subsidiaries	–	819,125	–	–	819,125
Gain on disposal of interests in subsidiaries, joint ventures and associates	–	109,953	103,340	1,823	215,116
Impairment loss on available-for-sale investments	–	–	–	(15,852)	(15,852)
Segment profit before taxation	1,487,073	2,115,096	1,209,651	21,933	4,833,753
Income tax expense	(305,329)	(815,997)	(194,505)	(73,702)	(1,389,533)
Segment profit (loss) after taxation	1,181,744	1,299,099	1,015,146	(51,769)	3,444,220
Less: segment profit attributable to non-controlling interests	(166,677)	(561,443)	(13,682)	–	(741,802)
Segment profit (loss) after taxation attributable to owners of the Company	1,015,067	737,656	1,001,464	(51,769)	2,702,418

For the year ended 31 December 2013

57. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2012

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
REVENUE					
Segment revenue – external sales	2,848,463	13,011,356	3,427,091	–	19,286,910
Segment operating profit (loss)	1,494,106	2,585,729	989,680	(36,055)	5,033,460
Finance costs	(178,962)	(801,975)	(6,918)	(43,860)	(1,031,715)
Share of results of joint ventures	27,520	–	–	–	27,520
Share of results of associates	217	(4,902)	18,197	–	13,512
Gain on disposal of Feng Shun	–	1,276,515	–	–	1,276,515
Gain on disposal of interests in subsidiaries, joint ventures and associates	–	473,587	195,289	–	668,876
Impairment loss on available-for-sale investments	–	(40,427)	–	–	(40,427)
Segment profit (loss) before taxation	1,342,881	3,488,527	1,196,248	(79,915)	5,947,741
Income tax expense	(242,420)	(1,012,646)	(196,112)	(170,073)	(1,621,251)
Segment profit (loss) after taxation	1,100,461	2,475,881	1,000,136	(249,988)	4,326,490
Less: Segment profit attributable to non-controlling interests	(122,334)	(739,595)	(26,351)	–	(888,280)
Segment profit (loss) after taxation attributable to owners of the Company	978,127	1,736,286	973,785	(249,988)	3,438,210

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4.

57. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

At 31 December 2013

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment assets	27,268,166	82,283,271	5,894,067	6,964,521	122,410,025
Segment liabilities	6,302,471	50,049,419	780,932	12,897,389	70,030,211

At 31 December 2012

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment assets	23,961,566	81,589,363	5,117,960	4,644,122	115,313,011
Segment liabilities	6,159,571	50,192,565	869,082	9,852,760	67,073,978

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than corporate bank balances and cash, certain investments, certain interests in joint ventures and some other unallocated assets; and

- all liabilities are allocated to operating segments other than corporate tax liabilities, corporate bank borrowings, convertible bonds and some other unallocated liabilities.

57. SEGMENT INFORMATION (Continued)

Other segment information

2013

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measurement of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	473,034	166,916	576,197	2,562	1,218,709
Depreciation and amortisation	801,315	110,313	141,771	2,533	1,055,932
Impairment loss on bad and doubtful debts	5,108	29	12,393	–	17,530
Impairment loss on properties held for sale	–	36,374	–	–	36,374
Interests in joint ventures	2,179,302	65,718	–	384,123	2,629,143
Interests in associates	18,609	1,877,710	150,724	–	2,047,043

2012

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measurement of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	355,934	226,115	182,354	3,618	768,021
Depreciation and amortisation	680,041	112,524	129,234	2,534	924,333
Impairment loss on bad and doubtful debts	2,621	2	–	–	2,623
Impairment loss on properties held for sale	–	71,627	–	–	71,627
Reversal of impairment loss on bad and doubtful debts	(32,913)	–	(774)	–	(33,687)
Interests in joint ventures	1,781,046	–	–	–	1,781,046
Interests in associates	2,589	1,830,062	134,118	–	1,966,769

Note: Non-current assets excluded those classified as held for sale and excluded financial instruments, goodwill and deferred tax assets.

57. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are mainly located in Hong Kong (place of domicile) and the PRC.

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers	
	2013 HK$'000	2012 HK$'000
PRC	19,460,443	17,483,980
Asia areas, other than Hong Kong and the PRC	1,126,838	1,108,201
Hong Kong (place of domicile)	674,362	543,718
Other areas	306,081	151,011
	21,567,724	19,286,910

	Non-current assets (Note)	
	2013 HK$'000	2012 HK$'000
PRC	27,317,235	27,199,824
Hong Kong (place of domicile)	1,515,624	1,008,927
	28,832,859	28,208,751

Note: Non-current assets excluded those classified as held for sale, interests in joint ventures and associates, financial instruments and deferred tax assets.

Information about major customers

No individual customer contributed to over 10% of the total revenue of the Group for both years.

58. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in Notes 37, 38 and 39, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

58. CAPITAL RISK MANAGEMENT (Continued)

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

59. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP		THE COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Financial assets				
Fair value through profit or loss				
Held for trading	170,959	253,057	–	–
Designated as at FVTPL	299,455	30,937	157,457	–
Loans and receivables (including cash and cash equivalents)	36,879,108	28,850,810	36,613,643	33,974,865
Available-for-sale investments	1,199,037	1,084,515	59,270	59,270
Financial liabilities				
Amortised cost	44,406,028	43,370,491	10,234,009	7,909,027

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, financial assets at FVTPL, trade and other receivables, receivables under service concession arrangements, consideration receivables, restricted bank deposits, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables, bank and other borrowings, convertible bonds and senior notes. The Company's major financial instruments include other receivables, amounts due from subsidiaries, short-term bank deposits, bank balances and cash, other payables, amounts due to subsidiaries and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The Group mainly operates in the PRC and Hong Kong and the exposure in exchange rate risks mainly arises from fluctuations in United States dollar, Hong Kong dollar and Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As Renminbi is under managed floating system, after reviewing the Group's exposure for the time being, the Group did not enter into any derivative contracts aimed at minimising exchange rate risks during the year. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and the Company's monetary assets and monetary liabilities at the reporting date that are denominated in currencies other than the functional currency of the group entities ("foreign currency") are as follows:

	THE GROUP				THE COMPANY			
	Assets		Liabilities		Assets		Liabilities	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Renminbi (against Hong Kong dollar)	2,421,322	1,340,406	1,285,734	1,249,972	1,714,985	867,435	–	–
United States dollar (against Hong Kong dollar and Renminbi)	341,754	1,069,635	3,566,436	3,344,890	131,398	633,846	–	–
Hong Kong dollar (against Renminbi)	62,589	89,068	1,015,173	1,014,630	–	–	–	–

The above foreign currency denominated monetary assets and monetary liabilities mainly represent the Group's trade and other receivables, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables, bank and other borrowings and senior notes.

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% (2012: 5%) increase and decrease in the functional currency of each group entity against the above foreign currency. 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% (2012: 5%) increase in foreign currency rates. A (negative) positive number below indicates (a decrease) an increase in profit after taxation where the above foreign currency strengthens 5% against the functional currency of each group entity.

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

	THE GROUP		THE COMPANY	
	2013 HK$'000	**2012 HK$'000**	**2013 HK$'000**	**2012 HK$'000**
(Decrease) increase in profit after taxation	(137,790)	(136,951)	23,629	62,678

(ii) Interest rate risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. The Group's receivables under service concession arrangements, pledged bank deposits, fixed-rate amounts due from/to certain fellow subsidiaries/associates, loan to a joint venture, amount due from/to Xuhui SASAC and entities controlled by Xuhui SASAC, fixed-rate bank and other borrowings, senior notes and convertible bonds have exposure to fair value interest rate risk due to the fixed interest rate on these instruments. The Group's and the Company's bank balances and variable-rate bank and other borrowings also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate.

The management monitors interest rate exposure on ongoing basis and will consider the use of interest rate swaps to partially hedge against its exposure to variability in cash flows of the variable-rate borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and short-term bank deposits (collectively referred to as the "Bank Deposits") and variable-rate borrowings at the end of the reporting period. The sensitivity analysis does not consider the effect of interest expenses qualified for capitalisation.

For variable-rate borrowings and Bank Deposits, the analysis is prepared assuming that the amount of asset/liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point and 10 basis point (2012: 50 basis point and 10 basis point), respectively, increase or decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis point and 10 basis point (2012: 50 basis point and 10 basis point) higher/lower and all other were variables were held constant, the Group's profit after taxation for the year would decrease/increase by HK$74,712,000 (2012: HK$94,404,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate Bank Deposits and borrowings.

No sensitivity analysis is prepared for the Company's exposure to interest rate risk as the impact is not significant.

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Price risk

The Group is exposed to price risk through their listed investments classified as either available-for-sale investments or financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, the management has appointed a team of specialists to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted equity investments held by the Group at the reporting date:

If the prices of the respective quoted equity instruments had been 5% (2012: 5%) higher/lower:

- profit after taxation for the year would increase/decrease by HK$7,129,000 (2012: HK$11,802,000) as a result of the changes in fair value of financial assets at FVTPL; and
- investment revaluation reserve would increase/decrease by HK$7,493,000 (2012: HK$9,665,000) as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31 December 2013, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties and financial guarantees provided is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company as disclosed in Note 48.

The Group's principal financial assets are receivables under service concession arrangements, restricted bank deposits, short-term bank deposits, bank balances and cash, equity and debt investments and trade and other receivables.

For the year ended 31 December 2013

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's bank balances and cash, securities investments to be placed and entered into with financial institutions of good reputation. These internal procedures also impose limitation on the amount outstanding and to mange the credit ratings on investments to be held, so as to minimise the Group's credit risk exposure.

The credit risk arising from receivables under service concession arrangements is limited as these receivables are guaranteed by the relevant governmental authorities in the PRC.

The credit risk arising from consideration receivables, which are due from a few counterparties, is limited after assessing the financial background of the counterparties.

The Group's concentration of credit risk by geographical locations of customers are mainly in the PRC and Hong Kong which accounted for 86% (2012: 83%) and 14% (2012: 17%), respectively, of the trade receivables as at 31 December 2013.

The Group's and the Company's credit risk on bank balances and bank deposits is limited because the counterparties are banks with good reputation.

The Company has concentration of credit risk in relation to amounts due from five subsidiaries which account for 92% (2012: 97%) of the total amounts due from subsidiaries balance. These subsidiaries have a sound financial background at the end of the reporting period by reference to their financial position and business prospects. The Company's credit risk position is monitored closely by management of the Company.

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

The Group's and the Company's liquidity position are monitored closely by management. The following tables detail the contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2013 HK$'000
THE GROUP							
2013							
Non-interest bearing	–	1,923,157	346,332	5,534,366	–	7,803,855	7,803,855
Fixed interest rate instruments	5.58	81,457	159,808	5,987,992	7,218,452	13,447,709	12,505,819
Variable interest rate instruments	3.57	77,528	147,513	7,839,034	17,174,723	25,238,798	24,096,354
		2,082,142	653,653	19,361,392	24,393,175	46,490,362	44,406,028
Financial guarantee contracts	–	3,690,268	–	–	–	3,690,268	–

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
THE GROUP							
2012							
Non-interest bearing	–	2,804,592	382,589	4,604,730	–	7,791,911	7,791,911
Fixed interest rate instruments	7.15	55,651	108,367	3,088,112	5,342,362	8,594,492	7,733,764
Variable interest rate instruments	3.90	92,724	171,968	8,623,805	20,843,673	29,732,170	27,844,816
		2,952,967	662,924	16,316,647	26,186,035	46,118,573	43,370,491
Financial guarantee contracts	–	3,598,191	–	–	–	3,598,191	–

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2013 HK$'000
THE COMPANY							
2013							
Non-interest bearing	–	–	–	110,181	–	110,181	110,181
Fixed interest rate instrument	1.30	5,704	14,346	1,310,399	4,051,181	5,381,630	5,173,828
Variable interest rate instruments	1.32	5,883	11,206	4,982,477	–	4,999,566	4,950,000
		11,587	25,552	6,403,057	4,051,181	10,491,377	10,234,009
Financial guarantee contracts	–	8,597,560	–	–	–	8,597,560	–

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
THE COMPANY							
2012							
Non-interest bearing	–	–	–	865,246	–	865,246	865,246
Fixed interest rate instrument	2.20	2,356	4,485	20,616	1,254,501	1,281,958	1,243,781
Variable interest rate instruments	1.71	8,594	12,782	5,853,968	–	5,875,344	5,800,000
		10,950	17,267	6,739,830	1,254,501	8,022,548	7,909,027
Financial guarantee contracts	–	9,450,870	–	–	–	9,450,870	–

The amounts included above for financial guarantee contracts are the maximum amounts the Group and the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group and the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

59. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement of financial instruments

Other than the financial assets and financial liabilities carried at fair value as detailed in the following table and the available-for-sale investments carried at cost less impairment, the directors of the Company consider that the carrying amounts of restricted bank deposits, trade and other receivables, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables and bank and other borrowings that are recorded at amortised cost in the consolidated financial statements approximate their fair values, which are all categorised under level 3 for fair value measurement. The fair values of these financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Fair value of financial assets that are measured at fair value on a recurring basis:

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input
	31.12.2013	31.12.2012			
Available-for-sale investments					
Listed equity securities	149,854	193,294	Level 1	Quoted bid price in an active market	N/A
Investments held-for-trading					
Listed equity securities	170,959	253,057	Level 1	Quoted bid prices in an active market	N/A
Financial asset designated as at FVTPL					
Structured deposits	299,455	–	Level 2	By comparing the exchange rates at the end of the reporting period with target exchange rate	N/A
Listed convertible notes	–	30,937	Level 1	Quoted bid prices in an active market	N/A

There was no transfer amongst Levels 1 and 2 in both years.

For the year ended 31 December 2013

60. EVENTS AFTER THE REPORTING PERIOD

The following events took place after the reporting period:

(i) The disposals of 49% and 51% equity interests in the Feng Qi Group as detailed in Note 34(I) were completed in February 2014 and March 2014, respectively.

(ii) In January 2014, the Group completed the acquisition of 50% equity interest of Shanghai Pucheng Thermal Power Energy Co. Ltd., which principally engages in the business of waste incineration power generation in the PRC, from an independent third party at a consideration of RMB530 million (equivalent to approximately HK$679 million). The transaction will be accounted for using the purchase method and the assessment of the financial impact is in the process.

(iii) In February 2014, the Group completed the acquisition of 100% equity interest of Shanghai Qingpu, which principally engages in the business of waste water treatment in the PRC, from an independent third party at a consideration of RMB180 million (equivalent to approximately HK$230 million). The transaction will be accounted for using the purchased method and the assessment of the financial impact is in the process.

	Year ended 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000
RESULTS					
Revenue	7,061,653	14,435,231	14,969,132	19,286,910	21,567,724
Profit before taxation	3,828,453	4,487,839	6,317,006	5,947,741	4,833,753
Income tax expense	(1,102,330)	(865,784)	(2,179,787)	(1,621,251)	(1,389,533)
Profit for the year from continuing operations	2,726,123	3,622,055	4,137,219	4,326,490	3,444,220
Profit for the year from discontinued operations	1,005,177	3,269,339	–	–	–
Profit for the year	3,731,300	6,891,394	4,137,219	4,326,490	3,444,220
Attributable to					
– Owners of the Company	2,870,132	6,205,034	4,022,575	3,438,210	2,702,418
– Non-controlling interests	861,168	686,360	114,644	888,280	741,802
	3,731,300	6,891,394	4,137,219	4,326,490	3,444,220
	HK$	HK$	HK$	HK$	HK$
Earnings per share					
– Basic	2.66	5.75	3.725	3.184	2.500
– Diluted	2.66	5.75	3.725	3.182	2.374

	Year ended 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES					
Total assets	64,268,957	109,446,036	115,814,617	115,313,011	122,410,025
Total liabilities	(30,171,601)	(70,645,300)	(70,340,582)	(67,073,978)	(70,030,211)
	34,097,356	38,800,736	45,474,035	48,239,033	52,379,814
Equity attributable to owners of the Company	24,901,250	25,559,484	30,062,368	32,409,489	34,946,024
Non-controlling interests	9,196,106	13,241,252	15,411,667	15,829,544	17,433,790
	34,097,356	38,800,736	45,474,035	48,239,033	52,379,814

Notes:

(i) The results for each of the two years ended 31 December 2010 and the assets and liabilities as of 31 December 2009 and 2010 have not been adjusted for the application of amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", which requires retrospective application when it was adopted in the year ended 31 December 2012.

(ii) The results for the year ended 31 December 2009 and the assets and liabilities as of 31 December 2009 have not been adjusted for the acquisition of SI Development in the year ended 31 December 2011 on a merger basis.

PARTICULARS OF MAJOR PROPERTIES HELD FOR INVESTMENT PURPOSES

Details of the Group's major properties held for investment purposes as at 31 December 2013 are as follows:

	Location	Term of lease	Type of use	Group's interest
1.	Urban Development International Tower (城開國際大廈) situated at No. 355 Hongqiao Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 7 October 2053	Commercial	41.27%
2.	20 office units on Levels 8, 9 and 10 and 12 car parks, Asia-pacific Enterprises Tower, situated at No. 333 Zhaojiabang Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 5 December 2042	Commercial and Office	41.27%
3.	Levels 1 to 3, Nos. 498 and 500 Lane 388 Pubei Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 30 June 2050	Commercial	41.27%
4.	Huimin Commercial Tower (滙民商廈) and non-motor vehicle shed situated at Nos. 111 and 123 Tianyaoqiao Road, Xuhui District, Shanghai. the PRC	Held under a land use right with an unspecified term	Commercial	41.27%
5.	Phase 2 of Shanghai Youth City (上海青年城), No. 1519 Husong Road, Jiuting Town, Songjiang District, Shanghai, the PRC	Held under a land use right for a term expiring on 8 July 2055	Commercial	69.95%
6.	Laochengxiang (老城廂), Lot No. 11 of Laochengxiang Area, Nankai District, Tianjin, the PRC	Held under a land use right for a term expiring on 29 March 2075	Residential, Commercial and Office	69.95%
7.	Lot No. B2, Phase I of Top City (城上城), No. 1 Olympic Road, Yuanjiagang, Jiulongpo District, Chongqing, the PRC	Held under a land use right for a term expiring in February 2044	Commercial and Car Park Spaces	69.95%
8.	Several levels of Golden Bell Plaza (金鐘廣場), No. 98 Huahai Road Central, Huangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 18 November 2043	Commercial and Office	57.29%
9.	Several levels of commercial and Cultural Complex of Hi Shanghai (海上海), Lane 568 Feihong Road and Nos. 950, 970 and 990 Dalian Road, Yangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 19 September 2052	Composite	63.65%
10.	Commercial Units of Huangpu Estate (黃浦新苑), No. 1130 and Nos. 1-2, Lane 1108, Tibet Road South, Huangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 9 November 2050	Commercial	63.65%

Location	Term of lease	Type of use	Group's interest
11. Several levels of Shanghai Industrial Investment Building（上海實業大廈）, No. 18 Caoxi Road North, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 28 November 2044	Commercial and Office	63.65%
12. Gaoyang Commercial Centre（高陽商務中心）, No. 815 Dongdaming Road, Hongkou District, Shanghai, the PRC	Held under a land use right for a term expiring on 5 March 2053	Commercial and Office	63.65%
13. Blocks 1-9, Shanghai United Wool Wearing Factory（上海聯合毛紡織廠）, No. 1111 Shangchuan Road, Pudong New District, Shanghai, the PRC	Held under a land use right for a term expiring on 6 March 2056	Industrial Building	63.65%

GLOSSARY OF TERMS

Term used	Brief description
CECEP Group	China Energy Conservation and Environmental Protection Group Co.
CECEP HK	China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited
Chengdu Wingfat Printing	Chengdu Wingfat Printing Co., Ltd.
China Investment Corporation	CIC International Co., Ltd.
Companies Ordinance	Companies Ordinance (Chapter 622) of the laws of Hong Kong
Company	Shanghai Industrial Holdings Limited
Dazhou Jiajin	Dazhou Jiajin Environmental Protection and Recycling Resources Co., Ltd.
Director(s)	director(s) of the Company
General Water of China	General Water of China Co., Ltd.
Group	the Company and its subsidiaries
Hu-Ning Expressway	Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.
Jinxiu Huacheng	Shanghai SIIC Jinxiu Huacheng Properties Co., Ltd.
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Luqiao Development	Shanghai Luqiao Development Co., Ltd.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules
Nanfang Water	Nanfang Water Co., Ltd.
Nanyang Tobacco	Nanyang Brothers Tobacco Company, Limited
Net Business Profit	Net profit excluding net corporate expenses
Parkson Group	Parkson Retail Group Limited
PRC	The People's Republic of China
Pucheng Thermal Power	Shanghai Pucheng Thermal Power Energy Co., Ltd.
Pudong Construction	Shanghai Pudong Luqiao Construction Co., Ltd
RRJ Capital	RRJ Capital Master Fund II L.P.
SFO	Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong
SGX	Singapore Stock Exchange
Shanghai Aerospace Electromechanical	Shanghai Aerospace Automobile Electromechanical Co., Ltd
Shanghai City Land Group	Shanghai City Land (Group) Co., Ltd.

Term used	Brief description
Shanghai Galaxy	Shanghai Galaxy Investment Co., Ltd.
Shanghai Pharmaceuticals	Shanghai Pharmaceuticals Holding Co., Ltd. (SSE stock code: 601607; HKSE stock code: 2607)
Shanghai Shen-Yu	Shanghai Shen-Yu Development Co., Ltd.
SI Development	Shanghai Industrial Development Co., Ltd. (SSE stock code: 600748)
SI Environment	SIIC Environment Holdings Ltd. (SGX stock code: 5GB)
SI Environment Scheme	A share option scheme adopted by SI Environment at the extraordinary general meeting held on 27 April 2012
SI Urban Development	Shanghai Industrial Urban Development Group Limited (HKSE stock code: 563)
SI Urban Development Scheme	A share option scheme adopted by SI Urban Development at the extraordinary general meeting held on 12 December 2002. Such scheme was expired on 11 December 2012
SI Urban Development New Scheme	A new share option scheme adopted by SI Urban Development at the annual general meeting held on 16 May 2013
SIHL Scheme	A share option scheme adopted by the Company at the extraordinary general meeting held on 31 May 2002. Such scheme was terminated at the extraordinary general meeting of the Company held on 25 May 2012
SIHL New Scheme	A new share option scheme adopted by the Company at the extraordinary general meeting held on 25 May 2012
SIIC	Shanghai Industrial Investment (Holdings) Company Limited
SIIC Shanghai	SIIC Shanghai Holdings Co., Ltd
SSE	Shanghai Stock Exchange
Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
SUAEE	Shanghai United Assets and Equity Exchange
Wing Fat Printing	The Wing Fat Printing Company, Limited
Zhejiang Tianwai	Zhejiang Tianwai Packaging and Printing Co., Ltd.

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